ireland

2.

Programa FARAL S

il 42. . . .

Wite .. W. 72 ...

45 24 ...

群 电 特 -- ++ F

2.5 10

tri--

PASITE AND

等 准元 海湖江山。

 $\mathcal{Y} \neq \Omega \cup \{1, \dots$

148 7 · · ·

340

17. . . .

54 Til.

\$ - M

State of the state of

8 5 7 7 3 ±

Frank of

1.

Bridge in

Alter and

\$100 A \$ 100.

35

75 " 4

5 May 1

--;--

15.25

11 E 25

1

....

100

 $\mathbb{R}^{n} \subseteq \mathbb{R} \times \mathbb{R}$

W7 2 2

कार्य के जिल्ला

4 24

FINANCIAL TIMES

Italy

A sure bet for Emu?

James Blitz, Page 17



Natural gas

Russia tries to cut its bill



WEDNESDAY JANUARY 21 1998

Move out of the slow lane

Indian Energy

Reformers face uphill task

World Business Newspaper. http://www.Ff.com



The FT 500, our annual guide to corporate rankings around the world, will appear TOMORROW.

The 48-page guide includes the world's top 500 companies by market capitalisation, together with the top 500 in Europe, the UK, the US and Japan.

WORLD NEWS

UK reviews offshore tax haven regulations

The UK government yesterday surprised the offshore centres of Guernsey, Jersey and the Isle of Man by launching a wide-ranging review of their financial systems. The review will look at laws, systems and practices for finan-cial services regulation and com-pany registration and the way they deter, investigate and pun-ish financial crimes, including money-laundering. Page 18

UN agrees Iraq concessions Chief UN arms inspector Richard Butler agreed to include outside experts at technical talks in an effort to persuade Iraq to co-operate with his disarmament mission. Page 8

Online munic discord Record companies are bracing themselves for fresh battles with their artists about revenues from music sold and distributed digitally across the internet. Page 18; Alice Rawsthorn, Page 8

Pope starts Cube visit Pope John Paul II starts an historic five-day visit to Cuba today surrounded by speculation about its potential political impact on the communist ruled Caribbean island. Page 6; Editorial Comment, Page 17 Subarto seeks seventh term

President Subarto of Indonesia confirmed he would run for presi dent in March, defying calls for his resignation amid a steadily worsening economy. Page 18; Observer, Page 17

The Italian parliament voted not to proceed with the arrest of Cesare Previti, the former defence minister in Silvio Berlusconi's 1994 government, who is facing corruption charges. The move defuses a potentially serious crisis for Romano Prodi's government. Page 2

Buttic co-operation talks Prime ministers from 12 Baltic basin states meet tomorrow to develop plans for long-term co-operation less than a week after US president Bill Clinton endorsed the desire of Estonia. Latvia and Lithuania to join Nato. Page 2

Cover-up afleged over killing Relatives of Turkish journalist Metin Goktepe, beaten to death two years ago, asked a court to investigate charges of a high-level cover-up. The state has charged 11 policemen for alleged involvement in his death.

Algiers bomb blast A bomb exploded in a busy street in the Ben Aknoun district of central Algiers, causing casual-ties at a time an EU delegation was holding talks with government officials on the violence sweeping Algeria.

Romanians braced for reform Both houses of the Romanian parliament are due to meet today for an emergency session which could decide the fate of the government and the Romanian reform process, Page 3

Markets

How Yest's teachtines
Does Jones Ind Av 7769-99
MASSIAN Composite 1579-96
Enrope and Par Each
CACSO 3008-34

5278.2 18,366.53

103.17 105.78 108.91

TH SEA '09. (Argus)

(seme) (108.562) (103.19)

© THE FINANCIAL TIMES LIMITED 1998 No.33,503

Los Angeles Tokyo Hong Kong

Euroyen on API

access to the

one Yen contra

And Carcine

THE NEW YORK

Business News

sign first private derivatives deal in euro currency

Allianz, German insurer, took a first step towards divesting its stake in Deutsche Bank in a DM2bn (US\$1.1bn) convertible bond issue. Page 21

Adam Opel, German subsidiary of General Motors of the US. announced a package of investments, job cuts and wage curbs to improve efficiency. Page 21 Hongkong Telecom, the territory's dominant telecoms

operator, agreed to surrender its monopoly on international pensation package including HK\$6bn (US\$870m) in cash. Page 19; Lex, Page 18; HK telecoms joins modern era, Page 22 Microsoft said it would amend

providers in Europe to meet concerns from the European Union's anti-trust authority. Page 6 Kirch, Bertelsmann and Deutsche Telekom, German

media groups, face scrutiny from European Union competition authorities over plans for a pay-TV alliance. Page 2

Odynia shipyard, which showed a profit last year for the first time since 1990, is emerging as Poland's sector leader. Page 23

was warned by Japan's Fair Trade Commission to halt anticompetitive practices aimed at maintaining prices of PlayStation games machines. Page 7

Digital Equipment, US computer group, is to launch micropayment technology to

Kla Motors, the South Korean carmaker, is considering an alliance with General Motors of the US in manufacturing car components, Page 22

Cyberview, which is developing key parts of Malaysia's hi-tech international business hub, said (US\$380m) for infrastructure.

electronics group, plans to offer international telephone calls from next month by leasing lines from KDD, the international car-

French banks

Dexia and Credit Local de France, French banks. announced the first privately negotiated derivatives agreement denominated in euros. Page 19

services six years earlier than expected in exchange for a com-

contracts with internet service

my Cor

J.P. Mergan, the US international bank, is to desig-nate more than 10 per cent of its loan exposure to South Korea, Malaysia and Thailand as "nonperforming". Page 19; Lex, Page 18; Strong final quarter, Page 20

allow internet users to purchase information in small increments for a fraction of a cent. Page 6

Lloyd's of London, the insurance market, has won UK government backing for its proposals for external regulation.
Page 9

SmithKline and AHP in \$125bn drug merger talks By Daniel Green and

Shares in sector boosted

William Lewis in New York

SmithKline Beecham of the UK and American Home Products yesterday confirmed they were considering a merger to create the world's largest pharmaceuticals company.

The deal would create a busi-

ness with annual sales above \$26bn, more than 110,000 employees and a combined market value of about \$125bu. The announcement sent a wave

of speculation through drug company stocks, pushing up prices of shares in Glaxo Wellcome. Zeneca and Nycomed Amersham in the UK and Merck, Lilly and Warner-Lambert in the US. SmithKline shares were up 7

per cent at one point, but fell sharply to end down 3p at 740p as AHP rose 13 per cent or \$10% to \$91% when Wall Street opened. The higher AHP's shares, the smaller the slice of any merged company that would go to Smith-

Kline shareholders. Shares in both companies have risen strongly in recent days since news of the talks was published in the Financial Times. Both said yesterday they would make no further comment until talks were complete.

"There can be no assurances that any such transaction will be agreed or as to what the terms of such a transaction would be,' added SmithKline. Talks are set to take weeks

rather than days as negotiating ing from who would run the new legal action against AHP for sideeffects apparently caused to people who took Redux, its nowwithdrawn slimming drug. The talks may have been partly

prompted by the uncertain future

leadership of AHP, whose chief executive, Jack Stafford, has been ill. A merger would enable SmithKline's younger management team to take over, said Mariola Haggar, pharmaceuticals analyst at Deutsche Morgan Grenfell in New York.

The companies would be able to achieve "significant" cost savings - perhaps over \$1bn a year - by combining manufacturing and pruning research and development spending, she said. Steven Gerber, analyst at CIBC Oppenheimer, said combining the

two companies would result in a good philosophical alignment.

He said investors believe both
in benefits for unemployed "good philosophical alignment". companies keep a tight control on costs and have experience in successfully concluding large

By Robert Graham in Paris acquisitions. But a full merger would run against recent trends in the sector. It would be the first large deal since the 1996 creation of Novartis from the merger of Swiss rivals Ciba and Sandoz, and the US-Swedish merger of Pharmacia and Upjohn. The P&U deal was followed by

a series of profit warnings and helped push mergers off the industry agenda, especially when set against the strong growth most companies achieved in 1997. AHP missed out on much of that growth because it was forced to withdraw Redux, which had been one of the most successful drugs in pharmaceuticals history. SmithKline had prescription

drug sales of \$8.15bn in 1996 while AHP reported \$7.92bn, but the counter medicines and anicompany to the potential costs of mal health products are taken into account. AHP's adviser is Morgan Stan-

ley Dean Witter. Lex, Page 18; Background,

said their campaign would con-Page 19; Observer, Page 17 tinue as long as the government

impossible extra cost.

FFt1bn.

The unemployed are demand-



Israeli prime minister Benjamin Netanyahu and US president Bill Clinton in the White House yesterday. Their meeting was said to have "gone extremely well". Netanyahu offers troops pull-out. Page 8 Pecuse PA

Jospin rules out further rise

Prime minister Lionel Jospin ddressing parliament yesterday

ing a rise in their benefits to tened to none of our complaints bring them into line with the and underestimate the strength of our movement," they said,

minimum basic wage. This would mean an extra FF11,500 paid out monthly to each person, bringing their monthly entitlement to that his government's position about FFr5,200. The protests have was not simply conditioned by budgetary considerations. It conalready prompted the governcerned the delicate relationship ment to pledge an additional between those living off social security and those employed at cation minister.
minimum wages. "We do not This pay differ The main jobless associations want a society dependent upon remained inflexible. "If the gov-[state] assistance, but one based ernment persists with this upon work and productive activstance, it means they have lis- ity," he said. By pointing out the

demands of the unemployed, Mr Jospin left some space to introduce extra funding for specific allowances, Robert Hue, leader of the Com-

munist party, which has four ministers, found positive elements in Mr Jospin's policy statement. The Communists have recently embarrassed Mr Jospin by siding with the protest movement as well as being more openly critical of the government's commitment to the European single currency. A tight budgetary position that

could be further complicated by the Asian crisis is hampering the government's attempts to find more money for unemployment benefit. Any concession to the unemployed risks a knock-on policy statement to parliament primary school teachers went on strike. The strike was called to highlight pay differentials between two categories of teachers caused by reforms negotiated in 1989 when Mr Jospin was edu-This pay differential cannot be removed in the short term with-

out heavy extra public spending. Political rivalries, Page 2

Asian crisis sends sea cargo rates down 20%

By Jonathan Ford

Commercial shipping rates have fallen sharply since the Asian crisis began as weakening demand has forced owners to cut prices. Average daily rates for dry bulk cargo vessels have fallen by 20 per cent since mid-October. Larger container ships have suffered falls of 10 per cent.

Analysts expect rates to continue decreasing in coming months as business arranged before the crisis is unwound. leaving a growing number of ships lying idle.

"Cargoes are generally arranged several months before they are due to be delivered." says Philip Rogers at SSY Consultancy and Research. "So the crisis is just beginning to really have an impact now." Mr Rogers predicts that dry

cargo rates will fall by another 20 per cent this year.

The extent to which Asian trade has plummeted can be seen in the widening differential between charter rates for carrying cargoes to and from the Pacific region.

Average daily rates from an Atlantic port to the Pacific are costs just \$4,800. "Owners do not want to send

their ships to Asia because they are finding it difficult to pick up cargoes for the return trip," says Analysts expect the situation

to persist into the first half of this year as Asian economies absorb the impact of heavy currency devaluations, which have Continued on Page 18

Commodities, Page 28

Inside

COMMENT & ANALYSIS

 The Pope's mission in Cuba Editorial, Page 17 Wayne Nafziger, Page 16 Will Emp toughes Euro-dip! Editorial, Page 17 Lionel Barber, Page 16



Short fuse: Japan is waking up to the millennium bomb problem Page 10

 Networks for the nerd-less Technology, Page 10

• Japan faces the internation bomb Technology, Page 10

 Rail companies feet the squeeze UK News, Page 9

EMERGING MARKETS

FINANCE

TECHNOLOGY

 Hydro-Québec's weakness exposed US and Canada News, Page 6 Mozambique - easing the debt borden

Russia - microeconomic worries World Stock Markets, Page 38 Highlights at a glance

Global Equity Markets, Page 37 FT.com: the FT web site provides updated news and an updated archive of back articles at http://www.FT.com

International 6-9 Europe 2,3 Technology 10 Arts 15 Letters 16 Companies 20-24 Bonds 26 Currencies 27 World Equities 32-38

(1.8367) (6.1508) (1.4991) (128.85) Y 129.50

2.9975

| 1975 | 1984 | 1975 | 1984 | 1975 | 1984 | 1975 | 1985 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 | 1975 |

<u>MORSE</u> Network Computing.

Fact or fiction?

There are two ways to find out the facts about network computing.

1. Attend one of our briefings.

to see and use the latest technology. You can achieve either by calling us on 0800 22 88 88 or at www.morse.co.uk.

2. Visit our Enterprise Computing Centre



Morse Computers

as president

Havel re-elected

Vaclay Havel, the Czech president, won re-election in the second ballot of presidential elections last night.

Mr Havel failed to muster the necessary absolute

the first round yesterday. But in the second round,

majority of all members of both houses of parliament in

requiring a simple majority of those voting, he polled 99 votes in the 200-member lower house and 47 in the

81-member upper house the Senate, as the only candidate.

Two candidates backed by the Communist party and the

ultra-right Republican party did not gain enough support

Of Mr Havel's failure to win an absolute majority in the

first ballot. Petr Pithart, chairman of the Senate, said: "I

in the first vote leaving Mr Havel to advance to the

NEWS DIGEST

second round unimpeded.

Ikrain

2554

- 100 M

the sea like

The Court

Romani

braced 1

reform

The state of the s

100

essity.

7 FZ

WE'S I

4 1

And Ar Bui

4.0

1.070%

22,4

. Programme

St. 12 (11)

Service Services

Art and the

Section -

ALD 11-2-1-

of the section of the

The Policy Security S

Park House, Mr. Die

Contract of the Contract of th

4:-

May ve

EU looks into German pay-TV deal

By Emma Tucker in Brussels think that was fairly clear nant position in three sepa- has written to Brussels stake in Beta Research to was likely to be settled amiand Frederick Stüdemann

Plans for a pay-TV alliance between the German media groups Kirch and Bertelsmann plus Deutsche Telekom are certain to face tough scrutiny after the European Union's competition commissioner confirmed yesterday he would open a full anti-trust investigation into the deal.

We will be moving into a second-stage investigation," said Karel Van Miert. "I

Twist to

French

nuclear

French policymaking does

not always proceed with the Cartesian logic that adminis-

trators would like us to

think it does. Take nuclear

The prime minister, Lionel

Jospin, confirmed in a

speech last June that the 11-

year-old Superphénix

fast reactor ever built, was

to be shut down. This was in

keeping with a Socialist

party election campaign

Mr Jospin justified the

decision by saying that the

nuclear industry should not

"pursue projects which are

excessively costly and have

very uncertain prospects of

What the prime minister

did not say was that

France's other fast reactor -

the older and smaller Phénix

was to be reopened after a

break of three years. Yet this

is what the government now

seems to be on the verge of

The official explanation

for this apparently contra-

dictory position is that a tool

is needed to conduct experi-

Some of these experiments

can be conducted only in a

fast reactor. With the gov-

ernment committed to clos-

ing the giant 1,200MW Super-

phénix, it follows that the reopening of Phenix, much

smaller at 250MW and

located at Marcoule in

southern France, was neces-

The initial attraction of

such reactors was that they

were capable, in theory, of

"breeding" enough pluto-

nium to supply their own

fuel. But there is no reason

why the technology should

not be used instead to

destroy plutonium - as well

as other harmful byproducts

of the nuclear industry

known as higher actinides. It

is this capability that the

experiments will be designed

It is almost certain that a

decision to restart Phénix.

which is about 25 years old

and has in the past experi-

enced significant technical

problems, would be unpopu-

lar with France's environ-

mentalist movement. This

remains low-key by the stan-

dards of many other Euro-

pean countries, but has

shown signs of gathering

From a technical view-

point, however, it could be

argued that Phénix is a bet-

ter installation in which to

envisaged, since it is smaller

and more flexible.

FINANCIAL TIMES

FRANCE

SWEDEN:

© The Financial Times Limited 1998. Editor: Richard Lambert, do The Financial Times Limited, Number One Southwark

momentum.

country's electricity.

announcing.

nuclear reactor, the largest

policy, for instance.

logic

from the outset."

ted to be announced for- ical services associated with mally over the next few pay-TV and the market for weeks, will give the parties four months to suggest alterations to their plan to satisfy the Brussels regulators.

The process is likely to be particularly tense as less than four years ago Mr Van involving the same companies. This was on the grounds that it would have

rate markets - pay televi- claiming that this arrange- Deutsche Telekom. The extended probe, expec-sion broadcasting, technolog-ment still poses a threat to cable network services.

This time, the companies mann has a 40 per cent say they have devised a formula for an open technological platform to which other Beta Research and Beta Digiparties would have access. The platform would be Miert took the rare step of administered and operated blocking a joint venture by Deutsche Telekom. ital decoding technology and though using technology owned by the three comparun a digital television Germany's cartel office

Mr Van Miert also conthat arises from plans by

competition. It warns of the firmed that both of the for Microsoft in Europe, conthreat of market dominance recently announced global firmed this. accountancy mergers involving Price Waterhouse and Coopers & Lybrand, and KPMG and Ernst & Young would face a full investigation by Brussels, adding that the two would be investigated "in parallel".

He also hinted that a potential case against Micro- pany. The Munich officials soft over contracts signed by the company with internet companies then plan to sell a service providers in Europe manoeuvre by Kirch.

of law and corporate affairs • Swiss prosecutors said

yesterday they were unable to substantiate the suspicions of the Munich state prosecutor's office that the 1989 sale by Kirch of a package of films to a company in Switzerland had been conducted through a shell comallege that the film sale was done as part of a tax evasion

think some members of parliament maybe wanted to tease Mr Havel a little bit." ■ POLAND AND EUROPE

Spain offers advice on EU

Spain supports Poland's integration into Nato and the European Union, and will share the experience gained in its own accession process despite earlier disputes on trade issues, government leaders said yesterday.
Poland's prime minister, Jerzy Buzek, and his Spanish

counterpart, José Maria Aznar, signed a joint declaration on Spain's support and on intensifying political and economic ties. Spain, which joined the common European structures in 1986, will make its access procedure experience available to Poland through regular meetings on integration among experts and officials, the declaration said. The government heads and foreign ministers are also to hold annual meetings and

Spain threatened last year to block Poland's EU negotiations as a way of applying pressure for a lower import tax on Spanish fruit in Poland. Earlier this year Spain also protested against the lowering of import duty on Polish steel sold to the EU.

Mr Aznar assured Mr Buzek he expected no difficulty in getting approval for Poland's Nato membership in the

■ GERMAN ECONOMY

Asia worry for GDP target German gross domestic product should expand by 2.5-3

per cent this year unless the financial crisis in south-east Asia deepens, the economy ministry said. In a summary of its monthly report on the economy, the ministry said the target should be achieved as lone as

the crisis in Asia does not deepen and does not spill over to other nations and regions". It noted, for instance that, while German exports to the region account for 6 per cent of total exports, other

countries that Germany trades with may export more to south-east Asia. Imports from the region, which have become cheaper as a result of the crisis, also will increase to Germany and the countries it trades with, the ministry Apart from the possibility that German goods may be

pushed out of other markets, the ministry said a decline in exports to Asia from Germany's trading partners may in turn affect German exports, "especially if the situation leads to a decline in economic growth".

TURKISH POLITICS

Islamists seek compromise

Turkey's Islamists have offered to ease their opposition to the coalition government of the prime minister, Mesut Yilmaz, in an effort to water down a ban on the Islam-based Welfare party, government MPs said .

"They said they would change the tactics they have used until now. That is, they won't block parliament and present motion after motion to impede the passage of laws," Ugur Aksoz, a senior member of Yilmaz's conservative Motherland party.

He said the Islamist leader, Necmettin Erbakan, made the offer to Mr Yilmaz at a meeting last Friday just before the constitutional court banned Welfare on charges of threatening the secularist constitution. The court also threw Mr Erbakan out of parliament and banned him from political leadership for five years. Reuters, Ankara

SLOVAKIAN PLOT

Threat to kill PM claimed

The Slovak government said yesterday it had been warned of an attempt on the life of Vladimir Mediar, the prime minister, before the end of next month.

"On Monday afternoon, the government received a telegram from a Slovak diplomatic mission abroad warning of an assassination attempt by February 25," : government spokesman, Jozef Kroslak, said. The would be assassins were alleged to have been given DM1m (\$500,000) from someone in Slovakia, he added....

A spate of car bombs, the burning of an opposition... ournalist's car last year and the kidnapping of President Michal Kovac's son in 1995 have made for a tense political atmosphere in Slovakia. This year Slovakia holds two crucial elections. Parliament will choose a new president on January 29. Elections for a new parliament will be held

BOSNIAN SERBS

Nationalists spurn government

Bosnian Serb nationalists announced yesterday they would not recognise the new government named this: week, threatening a fight for authority in the Serb-held part of Bosnia. The Serb Democratic party (SDS), still loyal to the wartime leader, Radovan Karadzic, said it did not acknowledge the government named after a stormy. parliamentary meeting early last Sunday.

The SDS is the largest single party in the new Bosman. Serb parliament, but it and its allies were outvoted early Sunday by Serb moderates backed by deputies representing Moslem and Croat refugees.

The new Republika Srpska government is headed by a relative moderate, Milorad Dodik. In a boost for him, the Yugoslav government in Belgrade under President Slobodan Milosevic recognised his government on Monday, apparently ending support for the nationalists to which it has long been loyal.

EUROBOND ISSUE

Prague refused permission

The Czech finance ministry has refused Prague city council permission to issue \$260m of eurobonds to fund infrastructure projects. It pointed to the government budget deficit and the country's growing foreign indebtedness as the reasons for its decision.

The 5-year bond issue managed by Credit Lyonnais and Nomura was planned to fund construction of two ring roads, a tunnel and an extension to the metro. The ministry said it would "help the capital city in finding" other financial sources for the purposes". Some of these projects have already been started in the expectation that the bond issue would be granted. The city is already overdue with its payments to contractors on the metro.

The ministry's decision highlights the problem of the growing indebtedness of municipalities, which some estimates put at Kç19bn (\$536m). Robert Anderson, Proque

France agonises over unruly young

CLT-ufa (in which Bertels-

stake) to acquire stakes in

These, respectively, own

the German licences to dig-

broadcasting centre. In a

separate agreement, the

tal, Kirch subsidiaries.

Growing urban violence is sharpening political rivalries

cities over the New Year has touched off a bout of national agonising over juvenile delinquency and urban violence.

The spectacle of more than 60 cars destroyed in Strasbourg alone, coming after attacks on bus and tram drivers in troubled areas of other large cities last year, raises important questions about French urban policy.

It has also sharpened political rivalries. Jacques Chirac, the Gaullist president, keen to re-establish a commanding role for himself the initiative by convening a meeting of a dozen mayors at the Elysée Palace last week to debate the topic.

He let it be widely known that the discussions had run on for over four hours.

Not to be outdone, Jean-Pierre Chevènement, the Socialist interior minister, Martine Aubry, employment minister. Elisabeth Guigou, justice minister, and Alain Richard, defence minister. jointly addressed more than 300 mayors in Paris last Monday. They unveiled their "local security pacts" designed to improve efforts

ments that will help France to calm urban tensions. to decide in 2006 how best to To some, including the dispose of the waste from its leftwing daily paper Liberaextensive network of nuclear reactors. These generate lence has been exaggerated port from the young. about three-quarters of the and even partly provoked by

he burning of dozens that films such as La Haine of cars in French have focused on the negative aspects of life in French inner cities.

Mr Chevenement emphasised on Monday that. according to his figures, delinquency had declined by 1.86 per cent during 1997. Besides, urban violence was certainly not unknown in the US, the UK or other industrialised nations.

But troubled French urban areas do have some distinctive characteristics. Most are not "inner city" districts at all, but rather bankieues or suburbs, far more cut off than in other countries. The after his party's election huge, dehumanising condefeat last year, swiftly took crete towers of the "mushroom cities" built in the 1960s and 1970s around large metropolitan centres have long suffered from isolation. Limited transport links, a

concentration of low-income apartments and a gradual departure of shops and other municipal facilities have also led to a growing concentration of immigrants and unemployed people. Social problems have accumulated in consequence.

Some French suburbs report rates of ioblessness several times higher than the national level, which is at a near-record high. It is little surprise that Islamic associations, among the few to remain in such areas, tion, the extent of the vio- have gathered growing sup-

While one of the principal presence of television. greater security and a strong



Riot police move against a demonstrator at an unemployment protest in Paris

argue that few officers live meaningful policy. locally or are trained in com-

young who live in these dis- on the political right, suphandful of housing estates create 350,000 state-suphave become "no-go" areas. ported jobs, targeted at the But the situation is not so clear-cut. The prosecutions of those involved in the Strasbourg rioting show that many culprits came from rel-

atively well-off families. There were even some suspicions that car owners not effectively control their themselves may have taken children. Even some mayors advantage of the confusion on the left have supported to destroy their vehicles for calls for curfews for the the insurance money.

More broadly, there is

Equally, there is little doubt police presence, some critics are at the centre of any such a figure appeared in

All those who talked to Mr Chirac last week, ranging Confrontations with the from Communists to those tricts are common, and a port Ms Aubry's initiative to young unemployed.

Views are more split on ways to deal with delinquency. Some on the right have talked about imposing fines or reducing the welfare benefits of parents who do

Ms Aubry has called for cross-party agreement the creation of a separate among urban mayors that urban affairs minister to most supported the National the media, especially the demands of local residents is measures to increase work with her. While absent employment opportunities from Mr Jospin's cabinet,

many previous governments What is certain, and most

feared by France's mainstream politicians, is that the recent discussions about urban violence will serve only to inflame public concern about safety, and play into the hands of the extreme rightwing National Front party.

The party, led by Jean-Marie Le Pen, achieved a near-record 15 per cent in the general election race last year, and his rivals worry that the latest polemic will increase support for the Front ahead of regional elections in March - particularly since one of the regions that Front was Strasbourg.

Belgian

summons

maker, and Willy Claes, the

former secretary-general of

Nato, to appear before it on

September 2 to testify in a

long-running corruption

The case concerns allega-

tions that Dassault Aviation

and Agusta, the Italian

armsmaker, paid kickbacks

to Belgian political parties in

return for securing lucrative arms deals with the Belgian

The allegations forced the

resignation in 1995 of Mr

Claes from the top Nato job.

cials, 10 other people, including Guy Coeme, the former

Belgian defence minister,

and Rafaello Teti, former

chief executive of Agusta.

were also summoned on

Mr Dassault's group is

alleged to have paid between

\$2m and \$3m in bribes to the

Flemish and Francophone

socialist parties in Belgium

in order to win a \$210m con-

tract to supply electronic

systems to modernise the air

The decision to award the

contract to Dassault was

made by Mr Claes, the for-

mer leader of the Flemish

socialist party, who was

then minister for economic

force's F-16 fighter jets.

According to judicial offi-

air force.

court

Italian parliament rejects move to hold former minister

Rome off the hook over arrest

The Italian parliament voted last night not to proceed with the arrest of Cesare Previti, the former defence minister in Silvin Berluscont's 1994 government, who is facing corruption charges.

In a move that defuses a potentially serious crisis for Romano Prodi's government, the chamber of deputies voted by 341 votes to 248 not to proceed with the immediate arrest of Mr Previti as requested by Milan magis-

The decision not to ratify the arrest does not rule out Mr Previti standing trial at some later date for his alleged participation in the bribery of a group of judges who ruled on a 1993-94 case

chemicals company. Mr Previti has repeatedly denied the allegations.

But a decision to incarcerate Mr Previti now - on the grounds that he might have tampered with evidence pending trial - would have triggered immediate retaliation from the political centre-right. This was a prospect that threatened to wreck Italy's programme of constitutional reform.

The figures in yesterday's vote suggested that most deputies in the centre-left ruling coalition and its communist allies had voted in favour of arrest. But members of the centrist Italian Popular party within the for 1998 on Monday, Mr Kohl coalition had indicated they and Mr Prodi were expected EU.

chant bank IMI and the SIR opposition bloc in voting of subjects, including Emu, against, while the regionalist the Kurdish refugee crisis Northern League party also and the possibility of EU appeared to have voted against arrest at the last minute.

Yesterday's vote was taken shortly before Helmut Kohl, the German chancellor, arrived in Rome for a over whether Italy would short and informal visit during which he was expected to give encouraging words to Mr Prodi, the prime minister, over Italy's bid to enter the single European cur-

With the Italian government appearing quietly satisfied after European Union finance ministers endorsed the country's budget plans

involving the Italian mer- would join the centre-right to hold talks on a wide range enlargement to the east.

it repeatedly clear in recent days that the chancellor's visit would not be accompanied by a firm commitment qualify for monetary union. This would be left to a critical EU summit in May.

But the nature of the visit

Dassault chief Mr Prodi's office has made By Emma Tucker

summoned Serge Dassault, chairman of Dassault Aviation, the French aircraft

seemed set to launch a warmer relationship between the two countries after some bitter words from German politicians in recent weeks over Italy's immigration policy and alleged laxity in allowing large numbers of Kurdish refugees into the

Baltic states discuss new links

carry out the experiments By Anthony Robinson and Matej Vipotnik

> David Owen President Bill Clinton endorsed the desire of Estonia, Latvia and Lithuania to join Nato, prime ministers from the Baltic basin states - including Russia meet tomorrow to develop plans for long-term co-opera-The meeting will be in

Less than a week after

FINANCIAL TIMES
Published by The Financial Times (Europe)
GmbH, Nibelungenplatz 1, 60318 Frankfurt am Main. Germany. Telephone ++20
fb 156 509. Fax ++40 69 596 4481. Represented in Frankfurt by J. Walter Brand,
Withelm J Britssel. Colin A. Kennard as
Geschäftsführer und in London by David
C.M. Bell. Chairman, and Alan C. Miller:
Depuly Chairman. The shareholder of the
Financial Times (Europe) GmbH is Pearson Overseas Holdings Lamuted, 3 Burlington Gordens. London, WIX ILE.
Shareholder of this company is Pearson
ple, registered at the same address
GERMANY: Riga, Latvia's capital, and is only the second at prime ministerial level of the Coun-GERMANY:
Responsible for Advertising content: Colm
A. Kennard, Printer: Hisrayet International
Verlagsgasellachaft mbH. Admural-Rosendahl- Strasse 3a, 63263 Neu Isenburg ISSN
0174-7363. Responsible Editor: Richard
Lambert, clo The Francial Times Limited,
Number One Southwark Bridge, London
SEI 9HL. cil of Baltic Sea States, set up in Copenhagen in 1992 are building new pipelines and now comprising 11 and loading facilities at Balstates including Norway and tic ports. Iceland. Despite Russia's formal

Predicting Director: P. Maranglia, 42 Rue La Boctic. 75008 PARIS. Telephone (01) 5376-8254. Fax (01) 5376-8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire. F-99100 Roubaix Ceder I. Editor: Richard Lambert. (SSN 1/48-2753. Commission Paritaire No 67808D. growth in Russia and rapidly Union generally. rising trade and investment in the Baltic region are creating an increasingly ties to regular meetings of Responsible Publisher. Hugh Carney, 468 618 6038. Printer: AB Kvallstudningen Expressen. PO Box 6007. 5-550 06, Jönköpung. powerful stimulus for closer Russian involvement in

other fields. In 1990, the last full year of the Soviet Union, only 35 per co-operation. cent of Soviet sea-horne

burg. By last year, this had risen to 45 per cent, studies based on Russian and Finnish statistics show. The volume of transit traf-

fic through the Baltic states has also risen strongly, especially through Latvia and Lithuania, which provides road and rail links to the Russian port enclave of Kaliningrad. At the same time, the Russian gas glant Gazprom is investing heavily in a new gas pipeline running through Belarus and Poland to northern Germany; other Russian energy companies

The aim of the Council of Baltic Sea States is to faciliobjection to Nato member- tate much wider regional ship for the three former co-operation, bringing in the Soviet Baltic nations, the Nordic states, Poland, Gerresumption of economic many and the European By leaving issues such as

security, borders and minori-

regional foreign ministers,

the council's prime ministers

are left free to discuss

broader issues of regional

Helmut Kohl, the German The council's remit covers trade went through the Bal- development of democratic nomyrdin, Russian prime gence of a new financial



the Baltic's fragile environ- two biggest Baltic powers. against organised crime. The framework also provides an opportunity for discussing issues in private bilateral talks and informal groups. The Riga talks will, for example, provide an opportu-

nity for useful talks between

ment and the struggle John Prescott, UK deputy prime minister, will attend as the representative of the EU's current presidency. on the agenda at Riga will be

fighting organised crime and money-laundering. Rapid growth in both areas over the past few years has been chancellor, and Victor Cher- a side-effect of the emer-

affairs. Agusta, which received a contract in 1988 to supply 46 helicopters to the Belgian army, is suspected of paying BFr51m (\$1,3m) to the Flemish party, as well as other amounts to its French-Formally, the main subject speaking sister. Mr Dassault has denied all

charges of wrongdoing but so far he has rejected moves to make him travel to Belgium. In May 1996 an international arrest warrant was served on Mr Dassault, but tic ports, including St Peters- institutions, protection of minister, the leaders of the environment in the region. I this was lifted last June.

UPYION SA

The street of th Chubais do The state of the s

over econom

State of the state Charles Charle Signature attended to the transfer of the tran

Manual Lines of Land Lines BURN TOTAL TOTAL Segment to the segment of the segmen Set also the property of the second s

And the first work the second of the second Speries distance in the second will spin the street

which the government had financed

with central bank credit did not go

away, they merely mutated into a

"Instead of using printing presses.

the government simply stopped pay-ing some of its liabilities, and so did many commercial enterprises," said

Janusz Szyrmer of the Harvard Insti-

tute for International Development

Ukraine's "payments arrears" cri-

sis is so severe that unpaid bills now

exceed the national gross domestic

product. The plague has afflicted other former Communist countries,

notably Russia and Kazakhstan, but

Romanians

reform vote

braced for

By Anatol Lieven

Both houses of the Romanian parliament are

due to meet today for an

emergency session which

could decide the fate of the

government and the Roma-

Emil Constantinescu, the

president, called the session

to vote on the government's reform legislation, starting with a bill to speed up the

Other proposals cover a

range of issues, including

the powers of the central

bank and the privatisation of

In an address to the nation

over the weekend, the presi-

dent said that if parliament

voted against the proposals, a vote of confidence in the

government would follow

coalition government led by

National Peasants party, has

already threatened to leave

the government if Victor

Ciorbea, the prime minister,

The PD says Mr Ciorbea is

responsible for delays and

confusion in the reform pro-

Mr Constantinescu accused

the PD last weekend of

defending the position of cor-

rupt interest groups hostile

parties' commitment or lack

of commitment to the reform

louder than political state-

chairman Petre Roman, Mr

Constantinescu's arch-rival,

The PD, led by Senate

Such votes will speak

"This vote will show the

nian reform process.

privatisation process.

state utilities.

automatically.

does not resign.

to reform.

ments."

process," he said.

EDNESDAY JANUARYZI,

fers advice on EU

See and the second seco F -- --

5 - 1 - 37**5**5 BYN . Y

Service of the servic The do no . Barrer :-Section 19 1 A TIC

ETIE!

SERVICE

Prince

OH LU Ukraine is arguably the worst hit. The overdue debts of the Ukrai-nian economy stand at a staggering \$60bn, according to detailed studies completed recently by the European Market State of the State of th Union's Tacis programme and HIID.

Most of these debts are owed between enterprises, but workers and pensioners are owed about 53hn-\$4bn by public and private entities, an issue which has come to domi-Service of the service of the servic nate the run-up to next March's par-A STATE OF THE PROPERTY OF THE PARTY OF THE liamentary elections. Energy has been rationed in some areas, not

Page 1 A 10 1 1 1 表別ないない ・ James 27. ig Day 5%T/2

seek compromise ESTRUMENT OF THE STATE OF THE S Control of the second of the s

- 1 ALLEN TO SERVICE STREET a kill PVI claimed

Mark Harris MEN IN

Alexander Control

1 1 mm

Property of the second 3. FA

Service Control of the Control of th

Sept. 100 mg and 100 m

ists spurn government 10014 (12) 10

efused permission perestroika drive.

who has spearheaded the government's reform efforts the average person," he said. for the past six years, said a Mr Chubais made no refergreat deal had been accom- ence to last week's rediviplished in 1997 in spite of sion of ministerial responsimuch political mud-slinging bilities, which many East Asia tion within the government of the state of the and the fallout from the observers believed left him

ago, it paid a price, or rather, falled to pay it. The deficits

Meanwhile, the amount of barter 66bn hryvna (\$34bn) worth of transactions last year, according to the state statistics committee.

Ukraine pays for hollow victory

Price for beating hyper-inflation is a payments arrears crisis, reports Charles Clover

The problem is treated in some circles as a legal issue, and recommendations have been made to strengthen contracts, enforce bankruptcy laws and develop a "culture of payment". But the crux of the issue is macroeconomic rather than legal. Even if everybody wanted to pay their debts, they couldn't. because the banking system is too small. Typically, bank assets and trade credits in a western capitalist country hover at a level between 50 per cent to 150 per cent of GDP roughly the level of arrears in the Ukrainian economy, according to the Tacis study. Bank credit in Ukraine, along with that in other countries hard hit by arrears problems, remains at a level of 5-10 per cent of

The Tacis study notes that Ukraine's inter-enterprise payments arrears have a "circularity index" of 85 per cent: that is, only 15 per cent of the arrears are net arrears. This means that most debts are the result

"The non-payments crisis is absoin the Ukrainian economy grew to lutely a substitute for our lack of a in four-digit inflation but, according healthy banking system," said Valentin Kulichenko, Ukraine's deputy minister for industry. Enterprises have been forced to "borrow" working capital directly from employees, pensioners and suppliers,

without banks as intermediaries. Wage and pension debts of the Ukrainian government budget, which amount to more than \$1bn, can be thought of as ad hoc delicit

he Ukrainian government in 1996 followed a fairly transparent policy of not paying this amount in salaries and pensions in order to keep its budget deficit within 3 per cent of GDP. "They tricked everyone for two years, because they had inflation under control, and everyone was looking at the cash deficit. But they were running arrears as a fiscal device," said a western economist in Kiev.

The behaviour of payments arrears in other countries tends to confirm that they are filling the vacuum left by lack of financial intermediation. Kazakhstan tried in 1994 of uncollected credits. Most Ukrai- to clear inter-enterprise debts, which drinking," said Mr Szyrmer.

hen Ukraine conquered because of a shortage of energy, but mian enterprises, in other words, are had risen to roughly one-third of hyper-inflation three years ago, it paid a price. or Meanwhile the amounts of central most bankrupt, but rather insolvent.

Meanwhile the amounts of central most bankrupt, but rather insolvent. bank credits. Not only did this result to the national bank chairman, Uraz Dzhandosov, "within a few months of clearing our payments arrears, they rose again to the same level as before, and have stayed there ever

since" Aside from expropriating wages and pensions, the most harmful long-term aspect of relying on arrears as a form of credit is that they allow unviable enterprises to continue to function on a so-called

"Anybody can create an arrear, but not everybody can take out a bank loan," said Lucan Way, an expert on arrears at the World Bank. As long as a fundamental macroeconomic imbalance continues to exist, enterprises and governments will continue to rely on the wages and pensions of their employees and

those of their suppliers in the same way as they used to rely on printing

money: to avoid reform, "Economic stabilisation is like trying to cure the finances of a drunk who is broke because he spends too much on drinking. You can't cure the finances until you cure the



An old woman in Kiev counts the cost - workers and pensioners are owed nearly \$4bn

Advertisement

The Leading Company in the Financing of Japanese Small Businesses

"In my opinion finance is all about trust. Trust in Nichiei and in what it does can only be earned from clients, employees, and shareholders by having complete transparency in our operations. I am a great believer in absolute openness and good faith."

Continued High Growth and Profitability through Differentiation

While the large banks have their severe bad loan problems Victor Ciorbea: under fire and the weaker institutions have against reforms it has chambeen starting to go to the wall, there is one outstanding, but One PD leader, Radu Berlittle-known, finance company ceanu, has said that the PD that is going from strength to should bring down the govstrength. It is the leading The Democratic party exament in the event of a company in lending to small (PD), junior partners in the vote of confiden

businesses: Nichiei. However, some PD leaders As of the end of March 1997, Mr Constantinescu's are anxious not to cause early elections, which opinthe total balance of lending was ion polls suggest the party would lose disastrously. For-¥434.1bn up-34.9% ps for the last ten years on average. Over mer foreign minister Adrian the same ten years operating rev-Severin, a PD vice-president, enues have grown by an average has said that early elections of 33.4% pa. The year to March are not a "viable solution". 1997 was the 14th year of unin-There have been suggestions in the Romanian press terrupted revenue and profits that the PD may allow its growth. Return on equity, ROE, MPs to vote independently for the year was 21.4% and one

"medieval intrigues" and of in a vote of confidence. of the best results of any publicly Another possibility is that listed company in Japan.
The story behind these fig-Mr Roman may use his position as chairman of the Senures is the story of Nichiei: one ate - and therefore speaker of the joint parliamentary of the few true venture businesssession - to delay the vote es in Japan and the pioneer of or block it altogether. satisfying the short-term working Under Romania's convocapital requirements of small luted constitution, the rules businesses -- requirements that

for joint sessions and parliathe large banks have been unable mentary votes of confidence give ample opportunity for to satisfy. The Japanese financial commore of the procedural con-fusion and delays which munity is currently facing a process of liberalisation, Japan's Big Bang, and the fallout of that is already being seen. Nichiei has built a niche market in small business finance and avoided any involvement in the excesses of the 1980's credit bubble. Nichiei can look at the Big Bang process

Credit Famine and

Credit Feast

Mr Matsuda talking about that time says, "While I was thought that the banks had got smaller businesses wrong. Bank interests of the depositors. Smaller businesses had to meet unreal-

The banks were simply incapable of showing the required flexibility. This was the beginning of the Japanese non-bank

banks. Mr Matsuda with his banking experience was ideally placed to understand the busi-

a direct competitor. Not deterred, Mr Massuda looked for other sources of funds and hit on the idea of taking small loans from the private savings of small business owners in his native city of Kyoto. "The key was getting access to funds and I wheedled the money out of an ever widening circle of acquaintances. The circumstances meant that I could not afford to have any defaults. That is the origin of the credit control

system at the base of Nichiei's JUCCESS." Then there was the 1973 oil crisis and a sudden downturn in the economy: the credit famine became a credit feast with the large banks seeking outlets for their excess funds. The banks and the other institutions which had ignored the smaller companies suddenly changed their

"One moment the banks were not interested in discounting notes and the next moment they could not stuff enough notes into their vaults. The credit feast was an even worse time for Nichiei than the credit famine. We had 20 branches at that time throughout the country and were seriously thinking of a restructuring as the flow of business started to dry up. Things were really very bad." That was when Mr Matsuda hit on the novel idea of lending on promissory notes. "In retrospect, it was going through famine and feast in quick succession that made the company — but I would not want to go through the experi-

history in Japan, are widely used. and are strictly regulated by law and established commercial practice. Promissory notes are

acceptable to holders because: 1. the note is payable at a bank where the issuer maintains an account and is in good standing. 2. the note is presentable at the holder's bank on the due date and then is subject to settlement through the interbank system and the note clearing house, and 3. the issuer of a note that does not settle is subject to draconian sanctions and has every encouragement to ensure prompt and full settlement.

Credit control is further enhanced by the Nichiei "wide and shallow principle of lending small amounts to a large customer base. Thus there is a ceiling on lending to any one client of ¥13m and a ceiling on the term of any one lending of six months. In fact of the ¥434.1bn of lending at end-March 1997 the average sum lent was ¥6.4m and 35.5% was due within one month and 36.0% due within two to three months.

Why did nor Nichiei follow the herd of non-bank banks into property lending and massive loan expansion during the 1980's? "In the early days we did get involved in property lending, but quite frankly the type of personality and the appalling repayment performance very quickly convinced us that it was not an area for our company at all. From the very beginning we have always tried to do things differently: we were the first to introduce the idea of organising systematic direct salesmen visits to potential customers for the old note discounting business. So we naturally decided to take the low road of small business finance and avoided taking the high road

of property lending.

Transparency of Operations Nichiei established a 100% owned subsidiary, NSHC, in 1991. The function of NSHC is to provide guarantees for the loans on notes and to recover loans in default on a stand-alone basis. Nichiei is the only company in small business finance to have adopted this approach and this is another important differentiation leading to greater trans-

parency in operations. Being unsecured lending, the note loan is guaranteed by an individual and by NSHC which takes a guarantee fee of 2.0% of the amount of the loan irrespective of the term. In the event of default, NSHC makes payment under its guarantee obligations to Nichiei, the note is endorsed over to NSHC, and NSHC is

"What struck me was that

the banks had loan guarantee providers within their group, but the companies in money lending did not. If a subsidiary company. such as NSHC, is already going to provide a guarantee, it makes it psychologically much easier for an individual to offer a personal guarantee on top and then for the client to borrow too. A further objective is that loans in default get isolated from the general loan book of Nichiei. They ger segregated on the loan book of NSHC. NSHC is then dearly responsible for settling the loan with Nichiei and dealing with loan recovery. NSHC has proven itself able to operate at a profit out of the guarantee fee and loans recovered. Nichiei and NSHC personnel concentrate

responsible for recovery.

cific specialities." The consolidated accounts for the year to March 1997 show unrecoverable loans running at 3.4% of the total loan book and over the last five years the rate has not exceeded 4.0%. "In my opinion finance is all about trust. Trust in Nichiei and in what it does can only be earned from clients, employees, and shareholders by having complete transparency in our operations. I am a great believer in absolute openness and good faith. The establishment of NSHC must be seen in that light and NSHC plays a vital role in the Nichiei group.

their know how in their own spe-

Marketing Clout

What is important for the small business owner is the speed and ease of availability of funds. Nichiei makes a credit decision in 24 hours while the same decision takes a bank several weeks. Clients feel more comfortable with Nichiei.

Marketing is resolutely proactive: there are 200 branches and some 1,000 salesmen. The Nichiei Research Division is responsible for analysing the information available from credit research companies such as Teikoku Databank and Tokyo Shoko Research and preparing a master list of potential clients. Each salesman is given 300 small businesses from the master list to visit. The master list is fully updated every three months. Currently we are pulling in

24,000 new clients every year." "There is no doubt about the size and growth of the market.

Another ten years of good growth is a certainty. We have some 80,000 active clients and the potential client population is

by the year 2001." The banks are faced with the twin pressures of Big Bang and the BIS capital adequacy ratios against a background of the bad loan problem inherited from the 1980's credit bubble. The management response is to reduce lending and to shrink the balance sheet. This is obviously an enormous business opportunity for

close to 2 million. We are

expanding our marketing efforts

and plan to have 300 branches

"This is an opportunity for us to be selective and raise the average credit rating of the client loan book. That should then allow us to raise the loan ceiling and edge interest charged down. We must be prepared for intensified competition as the banks and the consumer finance companies try to move in on the market. We are confident that we have the know how and experience to cope. In the year 2001. the year the Big Bang process should be completed in, Nichiei aims to have a loan book of ¥1,000bn up 130% on 1997

and parent pre-tax profits of ¥100bn up 115% on 1997." While the business is an entirely domestic business, Nichiei has diversified its sources of funds and in September 1997 made a maiden international offering of 4.5m shares to foreign

investing institutions. Management Succession

Kazuo Matsuda has reached the age of 75. Investors who have always considered that he is Mr Nichiei are naturally concerned about management succession. Mr Matsuda is not the type of man to duck the issue. "My responsibility is to ensure a successful handover to the next generation. My son, Ryuichi Matsuda is aged 45 and is the Executive Managing Director of the company and he is being groomed as my successor. Everything is in hand. He has a more logical way of looking at things than me and is a tough manager. I could hand over at any time now, but personally I would like to keep in harness for another 10 years or so."



60-Banchi. Goshonouchi-nakamachi, Shichijo. Shimogro-ku, Kyoto 600. Japan Telephone: 075-521-6161

appears internally divided on how to vote today. It have plagued the Romanian might find it difficult to vote reforms since they began. Chubais downbeat

over economy

By John Thornhill Anatoly Chubais, first with gross domestic product deputy prime minister, yes-rising by 0.4 per cent and terday gave an uncharacteristically sullen assessment of Russia's economic prospects, suggesting a stable middle

class might not emerge before 2015. ment must tackle three Mr Chubais said it would important reforms this year. take many years of rapid The corporate tax burden economic growth to raise liv- must be reduced, gas and ing standards although he transport tariffs should be predicted the average wage would double to \$400 a payment of bills must be

high growth rates thereafter, economic growth rate could it would only rank between the fifth and tenth largest economies in the world by chev, the former Soviet pres- circle of specialists, because

In an interview in the Kommersant newspaper. Mr Chubais said the government must tackle three cut, and the crisis over nonresolved. If these issues were Even if Russia maintained successfully resolved, the

"The positive changes in 2015, he said. That would be the Russian economy are 30 years after Mikhail Gorba- only noticeable to a narrow ident. first launched his a 2-3 per cent growth rate is a very interesting subject for Nevertheless, Mr Chuhais, professional discussion but is extremely insignificant for

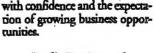
For the first time in eight years, Russia had registered economic growth in 1997,

industrial output by 1.8 per

rise to as much as 7 or 8 per cent a year, he predicted.

of the Nichiei of today.

istic collateral conditions.



Nichiei was incorporated by the current President, Kazuo Marsuda, in 1970. Mr Marsuda had originally worked at two banks for a period of 18 years, before starting his own money lending firm in 1964 when he was 43. That was the beginning

working at the two banks, I management would only think about security and protecting the

ness opportunity presented. "When I was operating on

my own in the early years that was when I really learnt the tricks of the trade." On his own for the first time, Mr Matsuda started to discount commercial notes — a kind of small business bill of exchange widely used in Japan. The problem was raising the funds: there was a continued funds famine for smaller companies and Mr Matsuda was in that bind himself too. It was particularly bad because the banks always had the ready-made excuse that there

was no point in their lending to

stance and became active lenders.

Wide and Shallow

A Japanese promissory note is a negotiable instrument representing the promise by the issuer to pay a given amount on a fixed date. These notes have a long



TRUCKING COMPANIES MOVE FREIGHT.



SHIPS TRANSPORT GOODS.



AIR FREIGHTERS CARRY CARGO.



CALL US TO MOVE IDEAS.

[هي المن الرجل

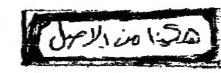
Sur no

airecto

While you wireless, are family you may

our idea

Could



Years ago, GTE was simply a telephone company: a mover of voices over copper wires. But now, we've become a leader in the movement of ideas and information via a variety of vehicles: local telephone, long distance, wireless, video, the Internet, Airfone and directories. In fact, GTE has quietly built a company that's a lot different than most people realize. So we wanted to take this opportunity to tell you how we walk the walk.

We're now one of the largest providers of Internet solutions to business. And we're developing a 15.000-mile data network stretching from the eastern seaboard to the California coast. It will expand the GTE network to 100 times the size of today's Internet.

GTE manages private data networks for thousands of clients, ranging from the University of Kentucky to Microsoft to the California 911 service. And we've been a leading provider of information technology to the U.S. government for more than 35 years.

directory services
in more than
15 countries.
On the Web.
our SuperPages* Interactive

Services are a valuable business directory, receiving more than 28 million visitors last year. We also host some of the largest websites in the world, supporting more than 25 million page views a day over our network.

We're a leader in Internet security, too, making business on the Net safer through state-of-the-art encryption and firewall technologies, such as our Site Patrol" managed security service. Even the Department of Defense

and the U.S. Treasury depend on GTE for highly secure networks.

We're also a long-distance company, with more than one and a half million customers. We're a wireless company, with more than four million cellular customers in the U.S. We're the leader in in-flight calling, with Airfone installations in more than 2,000 aircraft worldwide.

We're building a wireless paging system for 25 major cities in China. We serve more than six million customers outside the U.S., from Canada to Argentina. And we have more than 21 million lines in the U.S., from Alaska to Florida.

We're people who more ideas, from one person to the other and one place to the next, in a lot of different ways.

That's what we do. That's who we are.

While your business already has a telephone company, you may not have a local, long distance, wireless, video, Internet, Airfone and directories telephone company. And while most businesses are familiar with people who move raw materials, finished goods and overnight packages, you may not have a company that's dedicated to moving your most precious cargo of all.

Your ideas.

Could we take one someplace for you?

GTE

www.gte.com

MOVING I D E A S^a

NEWS: THE AMERICAS

Asia effect 'may be less human than feared'

sive credit growth nor fiscal

deficits (except for Brazil).

both typical conditions pre-

Because of its limited

regional integration, Brazil

had not been an engine of

regional growth nor had it

dragged down the region's

economy during the last

large crisis - the 1994 Mexi-

can devaluation, he said.

Structural reforms

including tariff reductions, a

restructuring of the banking

sector and stronger revenue

bases - accounted for 2 per

cent of GDP growth in Latin

America over recent years,

said Mr Hausmann, The

region saw the strongest

growth performance - 5.5

per cent - in a quarter cen-

tury within a deflationary

context. Regional average

inflation came down for the

"We've seen impressive

structural reform and eco-

nomic stabilisation in the

Mr Hausmann's upbeat

outlook follows recent dra-

matic falls in the region's

stock markets and read-

justed growth forecasts. Sev-

eral of the region's countries

The Asian crisis was hav-

ing two principal short-term

effects, said Mr Hausmann,

same equity class - emerg-

terms are worsening.

'One is that we're in the

have seen export prospects

first time to a single digit.

ceding financial crises."

By Raymond Colitt

Latin America will see economic growth slow only slightly in 1998 and is unlikely to suffer any long-term impact from the Asian crisis, according to economist of the Inter-American Development Bank.

At an industry conference in Caracas yesterday Mr Hausmann said growth in Latin America this year would slow by less than 1 percentage point as a result of the Asian crisis. Regional gross domestic product gain, excluding Brazil, would reach 5 per cent.

Brazil, he admitted, was "more complicated" and would grow "by no more than 2 per cent because of fiscal cuts and efforts to preserve foreign exchange sta-

"This is a small blip from which we will recover. This time they [the Asian countrics] are in trouble, not us." said Mr Hausmann, referring to the early 1980s when Asia briefly suffered under the Latin America debt crisis.

Today the situation was reversed, he said, rejecting suggestions that Latin America had problems similar to those Asia currently had. "Our fundamentals are

He argued the region's financial situation was solid. ing markets. Two, our trade 'We've neither seen exces-

FDA to act on cloning

The US Food and Drug Administration (FDA) has announced that it will take action against anyone who seeks to clone humans until

Michael Friedman, acting commissioner of the FDA, warned that any attempt to pursue cloning without the agency's approval would be a violation of federal law.

He said that because cloning had health and safety implications for both foetus and mother, it fell within the FDA's legal remit to regulate, and the agency would stop unauthorised cloning experiments. The announcement fol-

lows growing concern about repercussions of cloning humans after Richard Seed, a Chicago scientist.

announced he was prepared to start doing so within 18 President Bill Clinton has already banned the use of federal funds for human cloning research following

the announcement last year that Scottish scientists had successfully cloned an adult sheep. He has called on Congress to pass legislation banning such cloning as soon as possible. Several related bills have

already been introduced in preparation for Congress's return from winter recess

Smalltown Amarillo is all set for big court case over BSE remark

Oprah beefs up Texan town

armers' internet chat-lines are humming. Amarillo, a 180,000strong cattle town in the Texan Panhandle, is abuzz with activity. And, from newspaper leader columns to conferences, environmentalists and libertarians have started to debate whether Americans' constitutional right to free speech should override a tranche of new food defamation" laws.

The cause of this furore is the lawsuit brought by Texan cattle-ranchers against Oprah Winfrey. They claim the hugely popular TV personality cost them millions of dollars when her talk show ran a segment on BSE - bovine spongiform encephalopathy or "mad cow disease" - and its possible implications for the US meat industry.

In the course of the April 1996 show, Ms Winfrey said that discussion of the braindestroying malady which has caused big problems for the British cattle industry had "just stopped (her) cold from eating another burger' despite the official US line that there is no evidence of the disease penetrating the US meat sector.

Live cattle futures fell after the show, prompting Paul Engler, a cattle producer whose Cactus Feeders company is based near Amarillo, to sue Ms Winfrey and one of her guests under Texas's food defamation

Yesterday, after two weeks of pre-trial manoeuvrings, the case began in earnest as jury selection started. But already, outside the courtroom, Ms Winfrey - who



flew into Amarillo on Monday afternoon - has shrewdly turned herself into a business asset for the Texan town.

Two weeks ago, her publicity machine let slip that she would broadcast her programme, normally filmed in Chicago and attracting up to 15m viewers, from the Amarillo Little Theatre next week. That, in turn, prompted rampant speculation over where she would stay, where she might eat, and who she might interview.

Inevitably, a bevy of reporters have landed on Amarillo in her wake, Satellite trucks now ring the local Already Judge Mary-Lou

Robinson has struggled to

ity from submerging the case. "It has come to the attention that the approaching trial... is generating pervasive media attention," she said in a recent ruling. pointing to media calls over court seating arrangements and the growing risk that the potential jury pool

would be "tainted". Accordingly, she has slapped "gag" orders on the plaintiffs, defendants and their respective lawyers although this has done little to suppress media coverage. Ms Winfrey's own lawyers have argued unsuccessfully that the case should be removed to Dallas where. they claim, the chances of an impartial jury might be

The swelling publicity, say

not distract from the important principles underlying the case - which effectively pits food defamation laws. introduced in about 13 states over the past three years and usually tagged "veggie libel laws," against the right to free speech.

At a conference in Washington DC yesterday, Reginald James, director of the south-west regional office of the Consumers' Union, argued that the laws themselves "turn 600 years of common law on its head' and could threaten the flow of information about essential industries and

The outcome of the case was "going to mean a lot for the protection of our food

supply," he argued, saying "a lot of the message (on food safety) has come through the media". The government, by contrast. had not been "particularly ageressive".

Pointing to the vagueness with which these laws have been drafted, he also wondered if the Bible might be against the eating of fish without scales - a stricture which hardly benefits owners of commercial catfish

Nevertheless, in the particular circumstances of the case plaintiffs will need to demonstrate Ms Winfrey's show violated the Texan act by knowingly giving out false information about beef.

Much may turn on how the programme (which did include a representative of the National Cattlemen's Beef Association and the US Department of Agriculture) was edited, and Ms Winfrey's remark about burger abstinence. This appeared to endorse concerns expressed by one guest on the show, the cattlemen's lawyers could argue. Court documents, on the other band, suggest Ms Winfrey's lawyers will maintain that she was simply stating an opin-

Back on the internet chatlines, farmers themselves seem to have mixed views. Not all are unsympathetic to Ms Winfrey. "It is not the cattle industry suing Oprah, it is one cattleman, suggested one caller to the talk site run by "Successful

Nikki Tait

\$200bn reduction proposed in US debt

By Bruce Clark

Congressman Bill Archer. chairman of the influential House Ways and Means committee, yesterday proposed a \$200bn reduction in US national debt over 10 years, and a cap on taxation at 19 per cent of gross domestic product.

The proposals were the Republicans' opening shot in what they have described as a "battle royal" over how to make use of an increasingly favourable budget outlook.

President Bill Clinton said earlier this month the budget could be balanced by the next fiscal year, starting October 1, because public finances were improving even faster than expected.

The president and the White House have cautioned against using the favourable position for a reckless bonanza of spending or tax cuts. But Mr Clinton is widely expected to suggest improvements to education out his budget proposals over the next two weeks.

Mr Archer said yesterday said that, despite this rosy background, the total tax take was 19.9 per cent of GDP, the highest level in US history, apart from the second world war. He cited a Congressional Budget Office forecast which projects a \$660bp surplus over the next 10 years, and said this gave an opportunity both for tax relief and a reduction in the national debt. The Texas Republican also

announced a series of congressional hearings on a would consider proposals ranging from easing death taxes to simplifying capital gains tax. He also proposed a fund to

provide state governors with at least \$1bn to be used on efforts to support family life through voluntary organisations, child support and incentives for fathers to stay with their children. The money would be

found by setting a cap on the fees received by lawyers involved in the "tobacco settlement" under which cigarette companies are limiting their liability for damage to public health.

The congressman called on Mr Clinton to reintroduce a comprehensive proposal to arm himself with fast-track authority to negotiate trade deals. The defeat of this proposal last year NEWS DIGEST

Castro call to welcome Pope

Pope John Paul II starts a historic five-day visit to Cuba today surrounded by a storm of speculation about its potential political impact on the communist-ruled Caribbean island.

The 77-year-old Polish pontiff, making his first visit to Cuba, will receive a red-carpet welcome from President Fidel Castro's government, which has made a public commitment to guarantee the success of the trip. Mr astro has called on the citizens of Havana to turn out greet the Pope and has urged Cubans to attend the open-air masses scheduled to be held in three provincial cities and Havana's Revolution Square during the January 21-25 visit. "We want the squares full. . . the Pope

will like tt," he said. Dismissing media speculation that the Pope's past reputation as an anti-communist crusader in Poland could threaten Cuba's one-party socialist system, Mr Castro has halled the visit as "an honour" for the revolution.

The Roman Catholic Church has gone out of its way to damp down speculation about the possible political implications of the visit. Cuban Cardinal Jaime Ortega said yesterday the Church should not be considered an "alternative power to endorse or destroy" the regime. Nevertheless, the Cuban Church expects to gain increased space for its religious, social and humanitarian activities through the visit. Pascal Fletcher, Havana Editorial comment, Page 17

■ CANADA-ARGENTINA

Chrétien signs contracts

Canadian and Argentine business leaders yesterday signed some 70 contracts worth about \$200m on the third leg of a four-country Latin American tour headed by the prime minister, Jean Chrétien. Deals were struck in the areas of mining, atomic energy and finance among others. underlining Canada's position as the third largest foreign investor in Argentina between 1995 and 2000.

"Canada and Argentina are natural partners," said Sergio Marchi, Canada's Argentine born minister of trade. Plans to sign a free trade deal with Mercosur, the customs union representing Brazil, Argentina, Paraguay and Uruguay, in Buenos Aires yesterday were cancelled because of a trade dispute with Brazil. Mr Chrétien and Fernando Henrique Cardoso, Brazilian president, have agreed each to appoint a special envoy with a 30-day deadline to reach an agreement.

The row involves Canadian aircraft manufacturer Bombardier, which cancelled a \$90m contract in December to buy 24 aircraft from the Brazilian company Embraer. If agreement is not reached Canada will take the dispute to the World Trade Organisation, said Mr Andrea Campbell, Buenos Aires

■ PORT DEVELOPMENT

Bogotá seeks Japanese aid

Colombia yesterday requested a \$1.5bn credit from the Japanese government to finance a project to develop the

The request came from Maria Ema Mejia, foreign minister, who is on a tour of south-east Asia. She said the project would develop Buenaventura's existing port infrastructure and create rail and road access to the port. The project was the result of three years of planning and would take an estimated 10 years to complete, she added.

■ EU INTERNET SERVICE

Microsoft amends contracts

Microsoft yesterday said it would amend contracts with internet service providers in Europe to meet concerns from the EU's anti-trust authority. The conciliatory stance contrasts with its reluctance to abide by a US Justice Department order to unbundle its popular Windows operating system and its internet Explorer

Microsoft Europe confirmed it would change contracts with about 30 European companies providing access to the internet after Karel Van Miert, EU competition commissioner, said a compromise was in sight. Mr Van Miert said Microsoft appeared prepared to offer remedies to clauses in contracts with service providers that were "flying in the face of competition".

HINANCIAL TIME Whose company should you keep? The FT 500. Thursday January 22. For listings of the European, UK, Japanese and US top 500 international companies based on market capitalisation, look in the FT on Thursday. The survey will also include detailed comment and analysis from FT journalists worldwide. FINANCIAL TIMES No FT, no comment.

المالية المحل

US presse

200

14 6 2 Control Control

VILLEY CAR

79K B

-Trans. 41 11 THE

180 Same Sugar

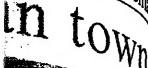
To the winds Tarmy 25,450 - 100 The Crista

ten to

o Dalland tale for and later



WEDNESDAY JANIARY





THE CHARLES

5. F-3 93

English (Sec.

2000 X

Alter of

america.

3 - St. J.

\$25 C.

94.2

Batter in .

347

4.5

1 1 2 1-2 1-5 2 B PER COL FT -5 4

come Pop 6 -- - -Property of

800

Barrier Comme

pe 2 1 0

इत्रह्मा स्ट्रांट

変 をつき 。 二

STAPE OF T

1887 A . .

\$ 125 To 1

11/2 11 15

20-1

1 m

8 . .

.....

Sec.

a abina

1.32 757 4

1000

stro call to

海底。 Andrew Control en signs contracts A Company of the Company

3 2 7 10 NELCC. Sept 18 . . . T 1200 m And the second s

٠ سند پندن 4. Sec. . . of those

1 14. Tr.



A CONTRACTOR

german. 4 ALT LA

ALL THE Marie Sale II

A

3/2 ·

Marine and the second A Acres

SAKE VEL

FINANCIAL TIMES WEDNESDAY JANUARY 21 1998 ★

ong Kong companies are facing a credit

stance in the regional finan-

cial crisis and economic

downturn, according to cor-

Credit constraints are

being increased by Japanese

banks' moves to curb loan

growth. Japanese banks are

the biggest foreign lenders

in the territory but have

seen profit margins erode as

they are forced to pay a pre-

mium for funds in the inter-

"All banks are reviewing their exposures," said the

finance director of one

blue-chip company. "It is getting tight. If a bank reduces credit or refuses a

new loan, it is hard to find a

For many Hong Kong com-

panies under pressure from

falling demand and rising

interest rates, tighter credit

increases the risk of failure.

Though Peregrine, the

investment bank, collapsed because of problems over-

seas, it was unable to secure

bridging funds from banks

in the territory. Several fash-

ion and retail companies

have been placed under

By Michiyo Nakamoto in Tokyo

Japan's Fair Trade Commission

yesterday warned Sony Computer

Entertainment (SCE), maker of the

popular PlayStation, to hait anti-

competitive practices aimed at main-

taining prices of PlayStation games

machines and software in the Japa-

The JFTC claims that SCE, a unit

of Sony, infringed Japan's anti-

monopoly laws by fixing the retail price of PlayStation software and

prohibiting the sale of used software.

and that it was confident it had not

By Gillian Tett in Tokyo

"stagnant".

The US yesterday urged

support its economy, which

report is now effectively

Thomas Foley, the

recently appointed US

ambassador to Japan, called

on the government to give

"consideration" to the need

comments reflect growing

trading partners that any

Yasuo Matsushita, gover-

nor of the central bank, said

in the bank's latest monthly

demand has had a negative

impact on production and

incomes...more cautious

corporate and consumer sen-

on Japan's real economy as

unease among Japan's main Union have stepped up dis-

downturn in Japan could nese government to consider further fuel Asia's financial taking additional stimulus

report: "Weak domestic later in the spring if the

timent is having a big effect the last week, he has not

These comments are likely refrained from calling for

to increase the pressure on specific new tax cuts.

steps.

for new stimulus steps. His

Japan to take more steps to sures.

SCE denied that it had fixed prices

nese market.

replacement."

bank lending market.

porate executives.

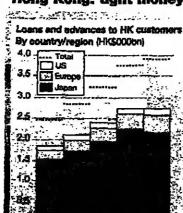
L squeeze as banks in the territory take a defensive

NEWS: ASIA-PACIFIC

Banks put squeeze on HK companies

John Ridding and Louise Lucas on pressures arising from the 'Japan premium'

Hong Kong: tight money





"They are just the high-profile names, but the pressure is winding up across the corporate sector," said the senior manager of one European bank in Hong Kong. He cited retailers and trading companies exposed to troubled regional economies as the biggest worry.

The JFTC move follows nearly a

nant position in Japan's video games

Sony's PlayStation has sold a

cumulative 9.4m units in the domes-

tic market, compared with 5.2m for

Sega's Saturn and 2.47m for Nin-

tendo's Nintendo64. The PlaySta-

tion's success had given it tremen-

dous power in the market, analysts

additional stimulus mea- Japan's ruling Liberal

Last month he announced terday pledged to strip the

prime minister, to unveil

according to a Bank of Japan Y2,000bn (\$15.5bn) of income Ministry of Finance of most

tax cuts and a proposed

Y30,000bn support package

for the ailing banks. How-

ever, opposition parties have

warned that the Y2,000bn

tax cuts will be insufficient.

sion. In recent days officials

from the US and European

creet pressure on the Japa-nese government to consider

Mr Hashimoto has

recently hinted he might

unveil additional measures

economy deteriorates fur-

ther. But though these hints

have boosted the stock mar-

ket more than 11 per cent in

Mr Foley yesterday

made any firm pledges yet.

to ward off the risk of reces-

In addition to the height-

ened risk of default in Hong

W 9 9 8 8

facing their own pressures to tighten lending in the territory. "Because of the 'Japan premium' we make a loss on lending, so it's a pretty difficult situation," said Koji Tasaka of Sumitomo Bank in Hong Kong.

Japan's Fair Trade Commission orders halt to anti-competitive practices

Sony warned on PlayStation prices

The JFTC move follows nearly a have developed. SCE requires retail-year of investigation into the com-

pany and highlights Sony's domi- not to sell used software, the JFTC

US presses for Finance ministry faces

Democratic party (LDP) yes-

of its responsibility for

domestic financial markets, confirming what has been

widely expected as the coun-

try deregulates its financial

humiliating blow for the

ministry, whose mandarins

were once seen to have

almost omnipotent control

over the world's second larg-

est economy. It follows

months of political debate

about the fate of the minis-

It had been widely critic-

ised for its role in the 1980s

property "bubble", which

paved the way for Japan's

current economic difficul-

ties. The ministry has also

been embarrassed by the

arrest of ex-employees in a

widening corporate corrup-

tion scandal.

The announcement is a

further stimulus reduction in powers

on retailers.

With concerns over the financial standing of Japa- to meet Bank for Internanese financial institutions, Japanese banks are having

infringed Japan's anti-monopoly law. retail prices for software it has freely and lead to the development

SCE also said it would not accept the developed and negotiates retail of a secondary market, notes Hiron-

prices for those that third parties

points out, SCE also conducts checks

The charges are an embarrass-

ment for Sony, which has been cred-

ited with building up an impressive

video games business and taking on

the industry giants, Nintendo and

Consumers are likely to benefit

from the JFTC order, which could

The JFTC notes that SCE sets enable retailers to establish prices hardware price falls, analysts said.

than 80 per cent above other borrowers in the interbank market. "The 'Japan premium' is eating away all our spread," says the Hong Kong general manager of one of Japan's biggest banks.

Japanese banks are also trying to cut their asset base tional Settlements capital adequacy ratios. "Our assets credit review by their banks. Kong, Japanese banks are to pay a premium of more are being squeezed and some exceeding HK\$2,000bn

Financial problems at C.A. Pacific Finance, a Hong Kong money lending business, highlight the need for regulation of margin Tsang, financial secretary, said yesterday, Louise Lucas reports from Hong Kong. Margin finance is widely used in Hong Kong to buy

On Monday, regulators Asia group, a diversified property-to-securities group, not to conduct new securities, futures and foreign exchange business because of debt exposure to C.A. Pacific Finance, an associate company.

of us have to reduce our loans," says one Japanese executive. Sumitomo, Fuji and Sanwa are among those thought to be reducing assets in Hong Kong. Mr Tasaka at Sumitomo says the bank is rolling over loans case-by-case and only lending to good customers. With total loans from Japanese banks in Hong Kong

obu Sawake, industry analyst at

about how it deals with its software

inventories," says Masashi Kubota,

Tokyo. The company's strategy of

making it relatively easy for third-

party developers to develop software

for the PlayStation meant there

there was a lot of poor-quality soft-

ware on the market, which retailers

could start bundling with the hard-

ware itself, resulting in software and

Nikko Research Centre in Tokyo.

(US\$258bn) last year. retrenchment has significant implications for corporate liquidity in Hong Kong. The problem is worsened by a tightening in funds from other sources.

Even some of the territory's biggest companies are likely to find lending terms becoming tougher. Last Fri-day, Moody's lowered its debt rating outlook for Swire Pacific. Hysan Development

and Wharf Holdings. The US credit rating agency cited concerns about the potential for prolonged weakness in Hong Kong's office and retail property sectors. "Such weakness, said Moody's, "combined with other factors specific to each of the issuers, could impair the operating and financial strengths of the

The higher costs of borrowing are also evident in the secondary debt market. where interest rates for Hong Kong companies have widened. Hutchison Whampoa's Yankee bond, a benchmark blue-chip issue, trades at more than 250 basis points above US treasury bonds.

NEWS DIGEST

Thailand sets up rescue bank

Thailand's cabinet yesterday approved the creation of a state-owned commercial bank, finance company and securities company that will bid to buy performing assets of the 56 finance companies which the government shut

down late last year. The new bank, called Radhanasin (or Good Assets), will take part in an auction process planned by the country's Financial Restructuring Authority (FRA), which is over-

seing the liquidation of the finance companies. Radhanasin will have Bt4bn (\$75m) in working capital, while the finance company and the securities company, which will bid for a more limited range of assets, will have Bt500m each. The capital is being lent to the Thai government by the World Bank and Asian Development Bank as part of their contribution to the \$17.2bn interna-

tional bailout package for Thailand. FRA officials estimate that of the Bt930bn in assets held by the closed finance companies, about Bt200bn are still performing. To purchase all those assets at current prices and still maintain a healthy capital position. Radhanasin and its affiliates would need to raise four times their ini-

■ 1998 PROJECTIONS

Singapore warns on trade

Singapore's Trade Development Board projected yesterday that trade growth in 1998 would be between 3.5 per cent and 5.5 per cent but warned there could be a revision because of "volatility of developments in the region". The board said Singapore's full-year, non-oil domestic exports increased just 5.3 per cent to \$\$91.6bn (\$53bn) in 1997, with growth already slowed by the regional economic turmoil. December's non-oil exports increased 13 per cent from the year earlier to \$\$\$.46bn. Total December exports rose 11 per cent on the year-earlier period.

The strong economies of the US and EU helped non-oil exports growth in December, while the lethargic growth in Japan had an adverse affect. Non-oil exports to the US rose 14.8 per cent in December over the year-earlier period, while non-oil exports to the EU increased 18.4 per cent. Non-oil exports to Japan fell by about 10 per Sheila McNulty, Kuala Lumpur

Plans to take on such debt, when Malaysia's financial institutions are feeling the pressure of domestic debt already at 170 per cent of gross domestic product, shows the lengths to which the authorities will go to make a success of the nation's most grandiose project. Some of Cyberview's shareholders are close to the

Economists say the which will be established next summer. The LDP backed away from stipulating any timetable for the change, but some observers institutions are hesitant to suspect that bureaucratic expose themselves to further

opposition may water it But the chief executive The compromise would remove ultimate control over domestic financial markets from the ministry, unless a severe crisis occurred, according to an

The ministry's banking, securities and insurance bureaux will be merged and their staff cut by around two-thirds to fewer than 100. an "intelligent city". About 300 of the 2,000 minis-

nently to the new Finance Camdessus, IMF managing Agency, which will have ultimate control of financial director, said interest rates should be raised to slow The changes will still credit growth. Mahathir leave the ministry with Mohamad, the prime minister, said authorities would responsibility for economic look into raising rates but policy, currency markets insisted the crisis would not The ministry's powers will and international financial affect the corridor project.

Loan for Malaysian hi-tech hub

By Sheila McNutty in Sepang

Cyberview, the Malaysian "Sony will have to be very careful company responsible for developing key parts of the country's Multimedia Super industry analyst at ING Barings in Corridor, said yesterday it would soon borrow MS1.6bn (US\$380m) to build the infrastructure for what is planned to be a hi-tech international business hub.

government.

regional financial crisis will see non-performing loans jump from around 5 per cent last year into the high teens this year. Many financial risks at this point.

officer of Cyberview, Abdul Karim Abu Bakar, noted that the authorities had made the project a priority.
"I'm confident we will get the money," he said. "We need financing fast."

Cyberview is to spend M\$4bn ~ much of it collected through booking fees and outright purchases - to develop 2,800 hectares into

News of the loan plan

comes just days after Michel

OIL TARGET ATTACKS Ramos orders tighter security

Philippine President Fidel Ramos yesterday ordered increased security around government offices and oil facilities, following a grenade and rifle attack earlier this week on an oil company and the Energy Regulatory

Mr Ramos said he would not tolerate "barbaric" activities and appealed for "calm and understanding". The separate attacks on Monday came in the wake of an increase in oil prices last week. The Alex Boncayo Brigade, a breakaway faction of the Communist party, claimed responsibility for the incidents in which no-one was Justin Marazzi, Manila

PLEDGE OVER DONG

Hanoi resists devaluation

Vietnam's central bank vesterday said it would continue to resist calls for devaluation of the country's currency, the dong, despite pressure to act in the wake of the regional financial turmoil and falling exports.

We have no policy to devalue the dong. We will just adjust the rate to be closer to the market exchange rate. And right now we're still positioned to manage the rate at a reasonable level," said Phi Dang Minh, deputy director of the foreign exchange department.

Hanoi's view of its currency is looking increasingly out of kilter with those of most bankers and economists, who say action is needed as the dong is overvalued by about 30 per cent. Exports of rice, a top foreign exchange earner. are suffering as buyers switch to cheaper and better quality Thai rice. Hard currency is in short supply with most economists saying foreign exchange reserves, worth about \$2bn, are no longer rising. Jeremy Grant, Hanoi

FOCUS ON SMALL ENTERPRISES

German team in Indonesia

A delegation of bank and government officials sent to Indonesia by Helmut Kohl, the German chancellor, yester day indicated Germany would offer "concrete proposals" to support small and medium-size enterprises in Indonesia. The team's visit comes as a result of a request by President Suharto. Germany may also offer technical help in drawing up a new central bank law.

The delegation welcomed Indonesia's focus on tackling economic problems but said "the government should perhaps also engage somewhat more in explaining the reforms in their overall context, the implications and their long-term benefits". German aid could require assigning German experts to work with the International Monetary Fund and World Bank. Ralph Atkins, Bonn

Taiwanese visit to Jakarta irks China

By Laura Tyson in Taipei

The arrival of Taiwan's premier, Vincent Siew, in Indonesia on another "secret" trip for talks with President Suharto on Asia's financial crisis yesterday provoked strong condemnation from Beijing.

China says Taiwan, which has been largely unaffected by the Asian financial crisis, is taking advantage of the region's economic difficulties to spread its influence.

Taiwan has been wooing economic clout. A week ago Mr Siew made a surprise visit to the Philippines,

rebel Chinese province, then which recognise Beijing.

lodged a "severe" protest. ative financial health leaves it well positioned to help aysia and Indonesia.

An 80-strong delegation of tions with China," he said. Taiwan businessmen led by the cabinet economic policy

Sato, head of the Asian visit. Taipei has no official Development Bank. China, ties with any of the southwhich regards Taiwan as a east Asian countries, all of

"Activities by the Taiwan Taiwan, which says its rel- authorities are unpopular and doomed to failure," said Shen Guofang, China's forneighbours in distress, has eign ministry spokesman. mounted a bold drive to beef "We are resolutely opposed up its unofficial ties with the to any form of official con-Philippines, Thailand, Mai- tacts with Taiwan by countries having diplomatic rela-

China is still smarting been touring the four coun- to Singapore - one of Bei- is only one China. tries to seek investment jing's closest friends in the

prime ministers.

Rashimoto: compromise

demanded the complete dis-

mantling of the ministry as

part of a broader plan to

have been fiercely resisted

by some LDP members.

However, Ryutaro Hashi-

moto, Japan's prime minis-

ter, yesterday said a compro-

mise had been agreed.

Some politicians have be transferred to a body relations.

Until now, these plans

streamline the government.

Beijing's condemnation a pre-condition." coincides with Taiwan's rejection vesterday of its offer to open "unconditional" political talks with the island. Taipei said the two sides should return to the technical negotiations

severed in June 1995. "We hope the two sides can start formal political talks as soon as possible, said Mr Shen. He said there were no pre-conditions to the over Taiwan Vice President talks but insisted that both troubled neighbours with its chief, Chiang Pin-kung, has Lien Chan's New Year visit sides must agree that there

Sheu Ke-sheng, vice chairopportunities. Mr Siew's region - and the rare stop- man of Taipei's Mainland where he met President presence in Jakarta coin- overs in Taiwan by the Sin- Affairs Council, dismissed

Fidel Ramos and Mitsuo cides with the mission's gaporean and Malaysian the appeal: "The so-called one-China principle itself is

LDP policy plan.

try staff will move perma-

regulation and policy.

Beiting has always insisted talks be conditional on Taiwan accepting its "one China" principle - that the only China is the communist People's Republic and that Taiwan is part of it. Taipei maintains China has been divided into two sovereign entities represented by the People's Republic on the mainland and the exiled Republic of China on Taiwan since civil war ended in 1949. China cut off the earlier

cross-strait dialogue in June 1995, angered by a visit by Taiwan's president, Lee

Sri Lanka stands by policy on rupee

By Mark Nicholson in Colombo

Sri Lanka's central bank will resist calls to devalue the rupee to meet competitive pressures caused by the south-east Asian currency crisis, but will continue to "adjust" the cur- storm began six months ago. "The rency where necessary, according to appropriate response is not to and on daily market movements. A.S. Jayawardena, central bank gov- panic... and get the house collaps-

South Korea, Malaysia and Indon- added. esia could harm Sri Lankan exports. But he said the bank was daily especially of garments, but the cen- monitoring the rupee against a basrupee's competitiveness daily and ners and rivals. "Our index will weathered the exchange rate shocks, and the Philippines.

dena said in an interview.

The rupee continued its managed adjust." slide, closing yesterday at 62.14 to the US dollar, having depreciated almost 8 per cent since the currency rnor. ing. or you end up by feeding specu-Recent currency falls in Thailand, lative instincts," Mr Jayawardena

The central bank largely manages tive quotes based on its own assessment of the rupee's competitiveness The International Monetary Fund

for Sri Lanka, though urging more flexibility in moving the rupee in response to market changes. Central bank officials say Sri Lan-

has called the policy "appropriate"

adjusting accordingly, Mr Jayawar show if there is a loss of competitive with average export growth sustainness; then we will continue to ing 14 per cent to the end of the calendar year. Garment exports, accounting for 46 per cent of Sri Lanthe rupee's rate, setting daily indica- ka's export earnings, have also remained largely unaffected.

However, some export associations have urged the bank to devalue the rupee to about Rs70 to the dollar. Socgen-Crosby, the investment house, said last week it estimated the rupee to be 20 per cent, arguing that garment, gem and ceramics exports would be hurt by sharper tral bank was monitoring the ket of 24 currencies of trading part- kan exports have so far mostly devaluations in Thailand, Indonesia

CONTRACTS & TENDERS

REPUBLIC OF TUNISIA

Invitation for expression of interest for the privatisation of

LA SOCIETE DES CIMENTS DE JEBEL OUST Pre-qualification to bid

Within the framework of the privatisation programme of the Republic of Tunisia, the Government of Tunisia hereby announces a two stage international tender for the purchase of 100% of La Société des Ciments de Jebel Oust, one of the leading cement manufacturers in Tunisia with a capacity of 1 million tons.

In the first stage, interested parties are invited to express their interest so as to be pre-qualified for the second stage of the process. Pre-qualification criteria will be based on the operational track record in the cement industry and financial strength.

In the second stage, for those who meet the pre-qualification criteria. invitations will be sent together with the tender documents. including the procedure and timetable to be followed.

shall be sent no later than February 13th, 1998 at 5.00 pm to: MINISTERE DU DEVELOPPEMENT ECONOMIQUE

A letter of interest and the latest annual report of the submitting party

Direction Générale de la Privatisation Place Ali Zouaoui 1000 Tunis, Tunisia

Reference: Privatisation of the cement sector (CJO) Tel: 216 1 - 354 467 Fax: 216 1 - 350 975

US, Japan aim at new air deal

By Nancy Dunne in Washington

Washington and Tokyo this week are expected to produce a framework agreement to liberalise bilateral air travel which would sharply increase the number of flights but leave price regulation intact.

The latest round of talks will fall short of the desired finish line, observers say, other airlines to "avoid makdue to outstanding technical details and a demand by the and transparency". powerful chairman of the

mittee that a final deal should not be concluded before he holds a hearing on February 12.

Senator Jesse Helms is concerned that any deal short of full liberalisation or "open skies" will set a bad precedent for other aviation negotiations to be conducted with Asian countries. He has said any deal short of full "open skies" will enable ing tough choices of reform

The US has been seeking a

US commercial and cargo carriers the right to land in Japan and fly on to other destinations, known as a "beyond right".

The US says that right was guaranteed in a 1952 air pact, but Japan has argued that the 45-year-old pact is outdated.

Under the new pact. US carriers will get increased "beyond rights". Federal Express is expected to be granted its long-delayed petition to fly on to China and Senate foreign relations com- deal for some time because the Philippines from Japan.

Japan has been denying both American, United and Continental airlines will get about 90 new flights to Japan which would be shared with US Airways and TWA.

United will increase its flights from Chicago to Tokyo from six per week to 14 and add new flights to Osaka.

All Nippon Airlines (ANA) and Japan Airlines (JAL) would immediately expand their flights into the US. United is expected to conclude a code-sharing arrangement with ANA, and American with JAL.

which has most flights to Japan, is pushing for the right to team up with other US airlines, or airlines from third countries.

The US sought to end Japan's power to veto lower prices but failed to secure a commitment within the framework deal.

It also unsuccessfully urged a date by which Japan would agree to implement total liberalisation. Instead the two sides have agreed to return to the bargaining table in three years.

managers claim that online

royalties should be higher

than for CDs, because record

companies will not incur any

manufacturing or packaging

costs and, in some cases, will

supply the music directly to

consumers, thereby keeping

the retailer's share of profits.

royalty-based remuneration

may be inappropriate if con-

sumers buy music on a per

play basis. Tony Russell,

senior partner at Russells,

one of the UK's larger enter

tainment law firms, suspects

that, in such cases, artistes

may ask for a share of net

receipts, rather than of the

At present digital music

sales are limited to small tri-

als, but the market is expec

ted to take off this year and

to be worth \$1.64bm, or 7.5

per cent of global record

sales, in 2003, according to

Jupiter, a US research con-

sultancy. Warner, Sony and

other multinationals are

now in talks with Deutsche

Telekom to participate in a

music-on-demand service,

which will be available to

more than 1m German

place, with Deutsche Tele-

homes this summer.

wholesale or retail price.

There is also concern that

Australia tourism industry in protest

Australia's tourism industry yesterday attacked the gov-ernment's decision to help exporters hit by Korea's currency crisis with about A\$300m (US\$200m) in emergency trade finance guaran-

The protests came after the industry and tourism minister, John Moore, ruled out financial assistance to the tourism sector, only minutes after announcing an emergency short-term credit insurance package for exporters to Korea.

Australian exporters complained that many Asian buyers, particularly in Korea, could no longer secure letters of credit to cover the purchase of Australian commodities. Without extra government assistance, Australia would not be able to compete, they

At the same time, tourism executives said their industry was facing equally severe conditions. They warned that collapsing Asian business could cut Australia's tourism earnings, which last year amounted to about \$16bn.

Their concerns intensified when Qantas and Ansett, Australia's two international airlines, cancelled flights between Australia and Korea. Qantas also said it would suspend some services to Asian countries, including Thailand, Malaysia and Indonesia.

On Monday, tourism groups submitted a request for government funding for a special "reinvestment campaign" to promote Australia outside Asia.

"Common sense suggests tourism should be included in any assistance package related to the Asian financial crisis, given the industry's role as a major job provider and industry of the future for Australia," said Bruce Baird, managing Council of Australia

NEWS DIGEST

Japan stays top ship exporter

Japan maintained its position as the world's leading ship exporter last year for the fourth year running, but South Korea was close behind in terms of gross tonnage. Japanese shipbuilders won overseas orders for 310 ships, or 12.96m gross tonnes, during 1997 while Korean rivals took orders for 200 ships, or 12.74m gross tonnes. Japan and Korea together build more than two-thirds of the world's ships. Despite difficult conditions, shipbuilding export orders in Japan almost tripled in December from a year earlier to 37 ships, for delivery between 1999 and 2002. However, the Japan Ship Exporters' Association said the outlook for 1998 was poor due to uncertainty over the yen and instability in Asia. Competition for a smaller total number of orders could also intensify, as the collapse of the won could be to Korea's advantage. However, a heavy reliance on

imported materials means the weaker won raises costs at

Bethan Hutton, Tokuo

PORSCHE JAPAN

Dealership dispute settled

the same time as it improves export prospects.

Porsche, the German sports carmaker, has settled its dispute with its former Japanese importer, Mizwa Motors which took legal action after the contract between the two companies was terminated last year. Porsche Japan, which handles distribution of the cars, will continue to work with eight Mizwa Motors dealerships, as well as 16 independent operations. Agreement has also been reached for three Subaru dealerships to sell Porsches.

Mizwa Motors filed an injunction last autumn in a court in Stuttgart - where Porsche is based - claiming the German company's termination of the contract was unjustified. Porsche said it had acted in accordance with the contract. The court rejected Mizwa Motors' claim, but the two sides continued to negotiate. Last year, Porsche raised sales in Japan, its most important foreign market after the US, by 9 per cent to around 1,700 cars at a time when the imported car market showed a slight overall Andrew Fisher, Frankfurt

■ FILM DISTRIBUTION RIGHTS

EU takes Canada to WTO

The European Union yesterday took its dispute with Canada over film distribution rights to the World Trade Organisation. The dispute centres on Canada's refusal to allow PolyGram, the Dutch entertainment group, to distribute foreign films in Canada, while established US competitors – which control 84 per cent of the Canadian film distribution market – face no prohibition. Brussels says this discrimination runs contrary to international trade rules.

In 1987, Canada decided only companies financing film production in Canada or owning worldwide distribution rights could distribute in the domestic market. However, it exampted US film groups already operating in the country. Polygram, despite investing heavily in the Canadian film-making industry, has consistently been refused permission to distribute "third party" films. Under WTO procedures, if bilateral consultations fail to produce a settlement within 60 days, the EU can ask for a panel to investigate the complaint.

Frances Williams, Geneva

Discord over online music royalties

hen George Mich-ael, the pop singer, mounted an unsuccessful legal case in 1994 to rescind his record deal with Sony Music, one of his com-plaints was that his royalties on compact disc sales were

After the launch of CDs in the early 1980s, Sony and other multinational music groups paid their acts a lower royalty on sales of the new format than for vinyl or audio cassette until they recouped development costs. Mr Michael and other stars claimed that record labels maintained the reduction for

Such rows seem set to erupt again as record companies prepare to negotiate the the record companies' costs terms of payment for will be. distributing digital versions Nor c of their artistes' recordings on high-speed cable television and telecommunications systems, or over the internet

"This is going to be a huge bone of contention," said John Glover, chairman of the International Managers Forum, which represents artistes' managers. "Many artistes and managers were caught unawares by CD in the 1980s. This time we'll fight them tooth and nail." Lingering resentment over CDs' launch is not the only Music sales: pumping up the online volume 1996 total: 3.69bn units Pre-recorded sales (bn units)

is fraught with problems, not least because the digital music market is so immature that no one knows what

ros: IFPL Jupiter Communic

Nor can the industry predict whether consumers will purchase music online as complete albums to be stored on computer hard discs, or buy it on a per-play basis after which it disappears from the hard disc.

The wrangles over CD remuneration may have been acrimonious, but both camps agreed early on that the existing system whereby artistes were paid a royalty, or percentage of the wholesale price for each of their recordings sold on vinyl or cassette in Europe. difficulty. Deciding how to or the retail price in North pay artistes for online sales America - set a sensible pre-

cedent for the new format. Like vinyl and cassettes, CD is a physical carrier, which is sold by record labels to a wholesaler. retailer or mail order house. Most labels agreed to pay the same royalty for CD as for vinvl or cassette, subject to a temporary reduction

Some companies, such as Sony, renegotiated each artiste's contract on an ad hoc basis. Others, notably Warner Music, part of the Time Warner entertainment group, wrote to all their acts offering a similar formula. Most disputes centred on the level of royalty reduction. and its duration.

while they recovered research and development

Agreeing an acceptable method of payment for

online sales threatens to be more complicated. At present, most contracts use ancillary clauses to give the record label the right to distribute digital versions of

The terms of such clauses

vary widely. Some acts are entitled to more than they would receive by selling CDs or cassettes, and others to considerably less. Both sides of the industry accept that, as the digital music market develops, these clauses will have to be renegotiated. The consensus among

record companies is that they expect to pay artistes a similar level of royalties when their recordings are digitally downloaded, as if they had been sold as CDs or However, artistes and

kom or anyone else, we'll all be asking for the facts," said. Mr Russell. "And then we'll

"As soon as a big deal is in

start negotiating."

Alice Rawsthorn

NEWS: INTERNATIONAL

Bid to break arms inspection deadlock by drawing outsiders into technical talks

agrees concession to Iraq

By Laura Silber in New York talks in Baghdad with Iraq's hours," Mr Butlet said in an deputy prime minister, Tariq interview with Reuters. The chief United Nations

arms inspector, Richard Butler, yesterday agreed to inspections and win access include outside experts at to suspected weapons sites technical talks in an effort to Baghdad has put off limits. persuade Iraq to co-operate with his disarmament mis-

The agreement came as Russia's foreign minister, for a wider number of countries to be represented in the information. In hard, sub-UN disarmament mission (Unscom). diluting the

Aziz, in an effort to break the deadlock over weapons Speaking ahead of a final

session with Mr Aziz, Mr Butler last night said Iraq had not turned over fresh files on its weapons of mass destruction. "I was basically told there will be no new stantive terms of disarmament, that is probably the most dispiriting thing that Fred Eckhard, UN spokes-

man in New York, said the two sides had agreed to hold meetings with technical experts from the five permanent Security Council countries and Germany on Iraq's ballistic warheads and the nerve gas VX.

The move to expand the group of experts was aimed at dispelling Iraqi com-plaints that the US and Britain dominate Unscom to keep strict sanctions in in Sweden. force. The UN imposed sanc-

Mr Primakov, who broke the last standoff with Iraq in November, yesterday app-eared to back Iraq. "The American representatives on these inspection operations should not be ousted but probably they should recruit more international person-

nel, from France, Germany

and even Russian experts," he told a news conference at Council ministers' meeting An Unscom official yester-

embargo, after Iraq invaded and US officials might be Kuwali in August 1990. replaced in the mission following a Russian offer last

week of 60 experts. It remained unclear whether Iraq's President Saddam Hussein would now abandon a threat to expel UN arms inspectors within six months unless they certify that Iraq has dismantled its arsenal of deadly weap-

The last standoff with the the Barents Euro-Arctic UN began last week when Council ministers' meeting Iraq blocked an inspection team led by former US Mr Butler held two days of has been said in the last few tions, including an oil day suggested that British on the grounds he was a spy.

Israeli PM offers troops pull-out

By Bruce Clark in Washington

Benjamin Netanyahu, Israel's prime minister, yesterday put to President Bill Clinton a cautious proposal for troop withdrawals from the West Bank, and insisted he could muster support for it from his increasingly hawkish cabinet.

The State Department said afterwards the two leaders' meeting had "gone extremely well". The scope and pace of Israeli redeployment from the occupied areas are expected to be at the centre of Mr Clinton's talks this week with Mr Netanyahu and Yassir Arafat, president of the Palestinian Authority. "We have made a decision

to go for peace," said Mr Netanyahu, who has been using his US visit to muster support from Christian conservative groups as well as his traditional backers in the Jewish community.

He declined to give details of his latest ideas on redeployment but said they involved a "withdrawal that will assure our defences". Mr Clinton is according

his Israeli visitor a relatively low-key welcome. But US officials have played down suggestions this amounts to a rebuke to Mr Netanyahu's tough policies. His reception is line with the normal procedure for a working visit, officials have insisted

Asked if he intended to put pressure on the Israeli leader, Mr Clinton said: "I would not use that word. What we ought to talk about is what both sides can do now" to restart the peace

The International Finance Corporation, the World Bank arm for private investment, yesterday launched a \$100m-\$200m closed-end investment fund to invest in companies in the West Bank and Gaza. The fund is aimed at promoting joint ventures between Palestinian and Israeli **NEWS DIGEST**

EU sees progress in Algeria talks

The European Union delegation to Algeria said yesterday it had made progress in its dialogue with the government but expressed disappointment that Algiers was not ready to allow United Nations rapporteurs from Geneva to look into the human rights situation.

After a delicate 24-hour visit to Algiers, during which the team met Algerian officials, leaders of the legal opposition and editors of leading newspapers, its head, Derek Fatchett, the UK junior Foreign Office minister, reassured Algiers of the EU's condemnation of terrorism and its "determination to prevent terrorist attacks and bring terrorists to justice". But EU officials said they were waiting for Algiers to provide specific suggestions and evidence of accusations that some European countries were harbouring terrorist networks.

Mr Fatchett urged Algiers to allow more foreign ournalists into the country and reiterated the EU view that transparency was in the government's interest. The delegation will report to the EU foreign ministers' meeting on January 26. The EU presidency now held by the UK invited Ahmed Attaf, foreign minister, to London to continue the dialogue. EU officials were treading carefully in Algiers since the government rejects any form of foreign interference in its six-year conflict.

While the EU was holding its meetings, a bomb exploded on a bus in central Algiers, leaving one person dead and 23 wounded. The Algerian press also reported at east 33 people had died in attacks since last weekend.

■ ZIMBABWE RIOTS

Government sends in troops

After another day of rioting and looting in Harare, the Zimbabwe government sent in the troops to restore order. The home affairs minister, Dumiso Dabengwa, said the entire army had been put on the alert in case the riots, sparked by a 21 per cent rise in the price of the food staple maize, spread to other parts of the country. He said the government would not neglect its duty to

maintain law and order in deference to "democratic rights", adding that it was clear the disturbances had been orchestrated as well as spontaneous.

For the second day much of Harare city centre was shut, while in the industrial sites on the outskirts of the city and in townships millions of dollars of damage was done, according to witness reports. Businessmen said factories and vehicles were stoned, while police used helicopters to "bomb" rioters with tear gas.

The industry minister, Nathan Shamuyarira, announced that the millers had agreed to retain maize meal prices at existing levels, abandoning their planned 21 per cent increase. The move could result in a subsidy to the Grain Marketing Board. Tony Howkins, Horare

LANDMINES CONTROVERSY

Clinton urges export ban

President Bill Clinton yesterday urged the United Nations conference on disarmament to negotiate a global ban on the export of landmines, as a first step towards a comprehensive UN treaty to outlaw the weapons. The US has publicly backed Gro Harlem Brundtland. former Norwegian prime minister, as the next head of the World Health Organisation to succeed Hiroshi Nakajima when he steps aside in July. Frances Williams, Geneva

Russia raises Turkmen hackles

Heavy-handed move to control energy resources is upsetting former Soviet states The sight of Victor turing the region's leaders Turkmenistan's gas: under Russia's shadow

sia's prime minister, waving a big pointer stick at visibly bristled at such a a regional map seemed to stance and Saparmyat Niya-Turkmenistan's leaders to zov, the Turkmen president, sum up everything wrong in condemned Moscow's lingerthe relationship between the ing imperialistic attitudes, two countries.

has been scrambling to reas- accounts for two-thirds of republics of central Asia.

ace the five republics to

highlighted last week when

Mr Chernomyrdin, former with the same period in 1996. head of the giant Gazprom gas monopoly and one-time Chernomyrdin's visit could the fact that such countries eign states. Indeed, he to \$36, but Mr Niyazov stuck erable leeway to meet Turkemed more intent on lec- out for \$42. "We will come to menistan's demands. Russia using the threat of the proj-

Chernomyrdin, Rus- than on listening to them. The Turkmen leadership At the heart of these ten-In recent weeks, Russia sions is the issue of gas. Gas

sert its influence in the Turkmenistan's export reveresource-rich former Soviet nues. But in practice, the country gets paid in cash for But diplomats suggest that only about half of its gas Russia's hegemonic attitude, exports to the rest of the combined with its Commonwealth of Indepen-heavy-handed attempts to dent States (CIS), and Gazcontrol the development of prom has shut competing central Asia's energy Turkmen cas out of the curresources, may only encour- rency markets in Europe. Last March, Russia even develop stronger ties among cut off Turkmenistan's

themselves, and with other northern pipeline to Ukraine powerful neighbouring and the Transcaucasus after states, such as Turkey, Iran Mr Niyazov suspended a Russian-Turkmen gas ven-The shifting balance of ture, in which Turkmenistan influence was graphically received a 51 per cent share. The move hit Turkmen-Mr Chernomyrdin made a istan's economy hard, and rare visit to Turkmenistan gas output more than halved and Tajikistan in an attempt in the first 11 months of 1997 to patch strained relations. to 15.8bn cu m compared

senior member of the Soviet help resolve the dispute but Communist party, still failed to agree over the price appears uncomfortable with of Turkmen gas. Russia raised its initial are now independent sover- offer from \$32 per 1,000 cu m



the price we have suggested. Agreement can be reached geous basis, which is a \$90 in western Europe. purely economic theme, instead of political," he said. Nevertheless, the Turk- negotiating table by Turkmen leadership suggested menistan's developing rela-Mr Chernomyrdin's visit had tionship with Iran. Last marked the beginning of a month, the first natural gas Both sides had hoped Mr more open relationship and from Turkmenistan was expressed the hope the dis- pumped into northern Iran. pute could be resolved before It was the official opening of the visit in March of Boris a pipeline which will be Yeltsin, Russia's president. The Russians would certainly appear to have consid-

currently sells gas at the Ukrainian border for \$83 per only on a mutually advanta- 1,000 cu m, and at more than But some believe Russia was only brought to the

capable of exporting 20 bn cu m per year to the lucrative market of Turkey. Turkmenistan may be

ect to elicit concessions from Gazprom. The country, with roughly 10 per cent of the world's total gas reserves, provides potential competition in the coveted Turkish and European gas markets. Mr Niyazov has the last word: "We welcome demo-

1990 91 92 93 94 95 96

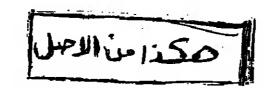
rai gas produ

Cutolic metree (brit

all face the fact that the Soviet Union has collapsed. If we did, there would be no mutual tensions or quar-

cratic Russia. But we should

John Thornhill and Charles Clover investors.



CONENDAY JANGARY

exporter

ip dispute settled ar ar pute settled

s Canada to WTO Programme and the state of the 42.4

Augusta and August and

William To Take

(2000年) (2000年) (2000年)

Harry Commence

\$28E. . . .

....

market in the second

1.50

2.5

sees progres lgeria talks

SECULAR SECU

But were a second of the secon

A Committee of the Comm Many days March 1997 200 F PALL TO nent sends in 1700p

<u>25</u>75- - 1

(本) でから 例画等は

) in ...

The state of the s

gent sents # E-

peges export bans The Port of the Port

FINANCIAL TIMES WEDNESDAY JANUARY 21 1998 ★

NEWS: UK

Row over HK cash hits Conservatives

By John Ridding in Hong Kong and John Kampfner in

controversy after William Hague, the party leader, said he would return a £1m donation from a Hong Kong trafficking charges against should be returned. media group only if it was proved that the money had group. come from illegal sources. knew of conditions attached

Cash leaves

varive party accepted a £1m the specific conditions

contribution but failed to attached to the donation, the

deliver on conditions has Oriental Press is now kick-again placed the company ing up a storm about funds.

firmly in the headlines. It An alleged receipt for a film

follows feuds with other donation, invitations to dine

vative party in 1994 was which had been sent to

made with certain condi- Brian Mawhinney, then Con-

tions on a "personal matter". servative party chairman,

sour taste

for party

News, the group's flagship newspaper, that the Conser-

local publishers, notably the

South China Morning Post.

The latest assault centres

on sensitive claims - both

about British political fund-

ing from the territory's

tycoons and the background

of the Ma family. In a series

of articles this week, the Ori-

ental Press alleges that a

11m donation to the Conser-

Although officials at the

newspaper group decline to

elaborate, it is thought to

mean assistance with the

dropping of charges against

Ma Sik-chun, one of the

founders of the Oriental

Press and father of Ma

C.K. Ma's father and his

uncle, Ma Sik-yu, known as

white powder Ma", left

drug trafficking. Ma Sik- cerned."

Hong Kong for Taiwan in

chun had appeared in court

trolled by the family of a family company. party was last night drug trafficking charges in of the Conservative party, a with strings attached," he embroiled in a fresh funding 1978, described the month before last May's UK

Ma Sik-chun, founder of the The Oriental Daily News, The Oriental Press Group the group's flagship newspa-

While keeping silent on

with John Major, and a

Downing Street menu from

September 1994 have all been

splashed across the Oriental

The newspaper claimed a

former senior Hong Kong

official had used Mis con-

tacts to besmirch C.K. Ma's

reputation in Australia, A

letter reprinted yesterday,

claimed that senior Conser-

vative officials knew of the

conditions for the donation.

Daily News.

conditions as "a private general election, said "commitments" had not been hon-mean the dropping of drug-oured and that the flin sum

Conservative headquarters refused to comment on the disclosures directly. The governing Labour party called claimed senior party officials per, yesterday printed a let- on the Conservatives to ter from Ma Ching-kwan, hand the money immedi- did not lie with the Conser- your party at a difficult time

to the donation. The media son of Ma Sik-chun and an ately to charity. Mr Hague vative party. company, which is con- executive director of the repeated his pledge to support legislation banning for-eign donations. "We have tunate for Mr Hague, who The opposition Conservative Song for Taiwan to avoid Mawhinney, then chairman not accepted any money

> "We would not accept money from illegal sources. If ever that turned out not to be the case, if it had been proved that was not the case, then of course the money in question would be returned." Aides of Mr

has sought to draw a line all concerned." under the sleaze sagas that

and major contributor" to Conservative coffers. Referring to "various conversations regarding my family's Hague said the onus of proof expectations in supporting

in its history", he said: The timing of the allega- "There is no doubt that the tions was particularly unfor- expectations of my family were clearly understood by

> Chris Patten, former UK in raising funds for the Copservative party as governor of Hong Kong," he said. "It would have been wholly wrong to play a role in Con

UK NEWS DIGEST

Expansion hope for City airport

John Prescott, deputy prime minister and chief transport minister, yesterday intervened in a dispute about doubling the number of flights at London City Airport in the Docklands district in the east end of the capital. London City Airport wants to double flights from 36,500

to 73,000 a year to meet growing demand for travel to European cities from City of London business people. Mr Prescott's intervention came as the London Docklands Development Corporation's planning committee decided provisionally in favour of the plan. It faces a rival in Southend Airport, some 75km east of London, which has just won outline permission for a new railway station and terminal building which would allow it to cater for up to 300,000 passengers a year in the same market.

Passenger numbers at London City grew by 70 per cent to 1.2m last year. Its plan would allow it to take 3m passengers by 2005. Many local residents have objected to the increased noise

London City, built ten years ago by Mowlem, was bought by Irish entrepreneur Dermot Desmond for £23.5m (\$38.30m) in 1995. It moved into operating surplus in 1996. Plights go to 20 destinations including Paris, Amsterdam, Brussels and Zurich. Brian Groom, London

BRITISH AIRWAYS

Check-in computer crashes

The British Airways' check-in computer system crashed yesterday, resulting in the cancellation of 20 flights. BA said the crash was caused by a power failure at one of its

buildings at London's Heathrow airport.

BA said that the failure affected its computer system worldwide, causing delays to flights from several airports. However, cancellations were limited to London. The airline had to cancel two departures from London Gatwick airport and 18 European flights and long-haul flights from

BA said it could not say how many passengers were affected, although it is likely to have been several thousand. The airline said it had booked all passengers affected on to other flights. The airline said it did not expect the failure to affect today's flights.

The scene at Heathrow's Terminal 4 yesterday morning was one of confusion, with long queues at paralysed check-in desks. There were groans when BA staff announced the cancellation of flights to many destinations, including Dubai, New York, Montreal and Tokyo. Michael Skapinker and George Parker, London

HEATHROW RAIL LINK

Breakdown setback for service

The £550m (\$895m) fast rail link between Heathrow airport and central London suffered a setback on its first day of operation on Monday when one of its trains broke

The Heathrow Express service, which runs from London Paddington station every 15 minutes, was suspended in the evening, nearly three hours before the scheduled last train of the day. A rescue train sent to haul the failed unit to a depot also broke down.

The Heathrow Express will be a faster and more expensive alternative to the present London Underground service, which follows a different route from central London

SOUTH KOREAN INVESTMENT

Halla pledge to protect factory

Halla Euro Enterprise, an offshoot of the Halla shipbuilding conglomerate of South Korea which was declared bankrupt last month, yesterday announced job cuts at its excavator and lift truck factory in South Wales.

The factory, opened by Queen Eli the first South Korean factory in Wales. Managing director S.J. Kim pledged that the company intended to keep the plant open: "During the last two months, Halla has been reconsidering its European business plan and has rejuctantly concluded that the current economic situation in the Far East makes it more cost effective to increase imports from Korea of the equipment that Halla sells in

FORD PROJECT IN US

Visteon to invest \$35m in plant

Visteon, Ford's components subsidiary, is investing £22m (\$35.86m) in its factory in Swansea, south Wales, to make parts for a new vehicle in the US.

The company said the spending reflected labour flexibility at the plant, which makes car parts such as axles, brake drums, discs and hubs. The new contract is for an aluminium transfer case to be fitted to a Ford vehicle, as Hajo Simonian, London

■ CREDIT CARD SPENDING

Slowdown 'reflects rate increases'

Growth in credit and debit card spending slipped in December to its lowest rate for more than a year according to the Credit Card Research Group. It said the slowdown reflected the five interest rate increases imposed since last May and the shrinking pool of retailers who

The first official estimate of total retail sales for December will be published today. Credit and debt card spending totalled £10.3bn (\$16.78bn) in December, up 13 per cant

early in 1997 and 15 per cent as recently as November 1997. Elizabeth Phillips, director of the group, predicted that the deceleration in growth would continue into the

afflicted the previous Con- governor of Hong Kong, servative government. denied a suggestion by the In his letter to Mr Mawhingroup that he had been ney, Mr Ma said he and his involved in the fundraising. family had been a "frequent" "I played no part whatsoever

CONSERVATIVE How the Oriental Daily News reported the exchange of letters 保守黨拒回 the Conservative party in the 1970s on a drugs is just the latest tar- charge, but then disapget in the sights of peared. It later emerged he Hong Kong's Ma family. Claims in the Oriental Daily

The figure on the right of the cartoons is John Major, who was UK prime minister from 1990 to 1997

ment. Lord Hambro and Sir Philip could not be reached. William Hague, the Conservative leader, said: "When I became leader of the party, I made it absolutely clear we are not accepting any foreign money in future."

"Various conversations regarding my family's expec-In another swipe at the tations in supporting your former British administraparty at a difficult time in its tion, the Oriental Press claimed it had been betrayed history took place with Lord Ching-kwan, now an execu- Hambro, Sir Philip Harris, over the establishment of tive director but considered Rt Hon David Mellor and the Eastern Express, an the main power at the other senior parliamentary English-language daily newspaper which was launched members of your party," said C.K. Ma in his letter. in 1994. According to the Ori-"There is no doubt in my ental Press Group, the mind that the expectations Express had been launched of my family were clearly with the backing of the Britthe 1970s amid allegations of understood by all conish administration and the promise of government

istration, it claimed, sought a counterweight to the South China Morning Post, which had been acquired by Robert Ruok, a prominent businessman with strong connections in China.

An official in the former

administration described the claims in the Oriental Daily News as "rubbish". Whether let down by the HK\$2bn, and with the Orien-

administration or not, the tal Daily News commanding closure of the Eastern a dominant position in the Express in July 1996 came as Chinese-language press. a blow to C.K. Ma. The title had been launched with high

The closure was accompanied by the retirement of C.K. Ma as group chairman Mr Patten said yesterday: and his replacement by his "I played no part whatsoever brother Ma Ching-fat. But in raising funds for the Con- his influence remains strong

been wholly wrong to play a

for the group, which had

grown since its foundation

in 1969 to become one of the

territory's biggest publishing

groups, with annual sales of

fundraising."

aggressive tone towards the establishment. role in Conservative party Following a ruling against The collapse of the Eastern Express amid heavy it in an appeals court, the losses was the first failure

has taken an increasingly

Oriental Daily said it would "teach a lesson" to Gerald Godfrey, the presiding judge. and sent reporters to pursue him. Other recent attacks against the judiciary included a column entitled "The Judge is a White Pig".

Legal groups, human rights bodies and even the territory's legal department reacted with concern. The secretary for justice said her deparment was examining whether proceedings for contempt of court could be servative party as governor at the newspaper group, taken "as a matter of Mr Mellor declined to com- advertisements. The admin- of Hong Kong. It would have while the newspaper itself urgency".

cars hits 20-year record

By John Griffiths in London

Car production in the UK reached a 20-year record last year, with nearly two out of every three cars built destined for export, government figures showed vesterday. A total of 1,697,966 cars was produced, up 1 per cent on 1996, with output of 2m a year projected for early next century.

But the motor industry also disclosed yesterday that its success, reflected in nearly 2m annual sales and a car population expected to reach 28m next year, is being achieved at a heavy cost.

The annual bill for road congestion last year reached £10bn (\$16.3bn), according to the tenth annual Lex Report on Motoring, commissioned from the Mori polling organisation by Lex Service, the UK car distribution group. Congestion has added an

average of two and a half hours a week to work-related journeys since 1990: £500m a year to the cost of shopping trips and £600m to that of the morning school run, according to the report's survey of 1.500 car and truck users. The report predicts that the car population will rise over the next five years by 10 per cent.

The enormity of the task faced by the government to persuade motorists - about half the electorate - out of their cars and on to trains and buses was also underlined. The report found that without big investment to make public transport more attractive, only 7 per cent would willingly use public transport even if congestion were to double over the next few years.

U.S. Life insurance In Large Amounts For Non-U.S. Citizens www.kaganinsurance.com

Output of External regulation for Lloyd's is backed

By Christopher Adams,

The government is to back proposals that the Lloyd's of London insurance market be regulated externally. A statement ending the uncertainty ber. that has surrounded the insurance market's future

may come today. Helen Liddell, a minister at the Treasury, is expected to endorse proposals put for-ward by Lloyd's last year that it be brought under the lator for the City of London. late its own affairs.

The future of the regulatory regime governing Lloyd's has been in doubt until now. The government did not mention the insur-ance market when it launched the FSA last Octo-

But Lloyd's was confident its plans would be incorporated in the new Financial Services Act when it is published in draft form this summer. It says the switch to external oversight could be made without amending Pinancial Services Author- the Lloyd's Act, which gives ity, the new integrated reguit statutory powers to regu-

at Lloyd's should be licensed by the FSA.

no insurmountable obsta- regimes cles," said David Gittings,
Lloyd's director of regula
Inadequate regulator tion. The Treasury may rec- trol was partly to blame for powers enabling it to take suffered in the late 1980s and. ary action following an action were Lloyd's to fail in its own day-to-day regulatory duties. It is also considering whether managing and

ing the auction system, advise capital providers. under which the right to par-

"We have had close discus- ticipate on Lloyd's insurance require brokers to register sions with the government syndicates is sold, may need and so far there have been to be brought into line with codes of conduct. Members'

Inadequate regulatory conommend that the FSA has the disastrous losses Lloyd's early 1990s. yesterday Lloyd's

announced plans to tighten regulation of insurance bro- during capacity auctions. members' agents operating kers, the intermediaries acting on behalf of clients with whom it transacts business, In addition, rules govern- and members' agents, who Mr Gittings said it would unfounded.

governing agents would have to conform with standards that apply to other financial advisers. Some members agents could face disciplininvestigation into the quality of advice given to Names. Lloyd's traditional backers,

individually and meet new

An inquiry into underwriting activity has shown concerns about the possible reappearance of a damaging "spiral" of reinsurance were

Dutch premier chides Blair over Emu

FT Reporters in London and The Hague

The Dutch prime minister, Wim Emu. Rok, last night put pressure on Tony Blair, his UK counterpart, to adopt a more positive approach to European to participate as soon as possible" monetary union, saying that sterling and that "this also applies to the should join the new currency as United Kingdom". Addressing Mr early as possible.

Shortly before the British prime minister gave a lecture in the long." Netherlands on his European policy, How Mr Kok - regarded as a political cool towards Emu and he made no

with the UK's equivocal approach to

Mr Kok said that "countries that meet the criteria should be prepared Blair, Mr Kok continued: "I would therefore urge you not to wait too

However Mr Blair's speech was

soulmate of Mr Blair - showed that reference to the official policy of would therefore be "a vary high pre-EU members remain uncomfortable favouring monetary union in princi- mium on genuine and sustainable ple. His official spokesman insisted there had been no "watering down" of the government's Emu approach.

The UK prime minister said simply that "we believe a single currency can make sense in a single European market", but warned that "labour mobility and fiscal transavailable" to cope with economic shocks within the Emu area. For monetary union to work, there

convergence and on the adaptability of our industry and the employability of our workforce".

Mr Blair also hailed the creation of an alliance of "politicians from all parties" in the UK to promote the cause of the European Union. He told journalists it was "important to fers" would not be "realistically co-operate across traditional party lines."

Editorial comment, Page 17

decided to accept cards in payment for the first time.

Monthly card spending was showing 25 per cent growth

Privatisation: Shareholders in former state-owned operations warned that the next few years will be far from easy

Increase in rail revenue urged Regulator's tough move may curb water payouts on a sufficiently wide can-Offer, the electricity regulator, yesterday confirmed that vas," he said. Transport Correspondent

By Charles Batchelor,

Britain's privatised train operating companies must increase passenger revenues by up to 93 per cent by the end of their seven-year franchises if they are to compensate for declining government subsidy, according to a study of the rail industry. This is on top of cost retailing groups.

seven years, the study said. It was compiled by John Nelson, a former managing director of the south-east former state network.

companies have often com- out being sufficiently aggres- and develop new services. I coast main line franchise policy". mitted themselves to reduce sive in expanding their busican see this happening in between England and ing levels of subsidy steeply nesses. In theory, all of them some companies but not yet Scotland.

the target date for the introduction of domestic competition will be put back from April to September, Robert Cornie marketing campaigns by BR writes. Professor Stephen Littlechild, director general of Offer, said a five month delay was needed because "it is clear that the industry will not be ready to implement the necessary changes..." to computer and billing systems. The new target date for full competition for Britain's 26mil fares for families and young latest the purpose of the formal competition for Britain's 26mil fares for families and young latest the same of the purpose of the formal competition for Britain's 26mil fares for families and young latest for full competition for Britain's 26mil fares for families and young latest families and you electricity consumers is June 1999, supply com Commercial electricity users responded to the delay by demanding that ing exercise by the train competition go ahead in April for multi-site users, such as operators may be needed."

cent off present levels after chises, raising fears that ing the growth targets return to shareholders range some may not be able to required". expand their businesses suf-

ficiently. Mr Nelson said some of The private owners of rail the buoyant economy with to acquire new rolling stock revenues on its 15-year west

place is an innovative man-

The move from national

people: "A substantial brand-The growth rates needed

savings rising to £643m to compensate for declining (\$1,050n) a year or 14 per over the lives of the fran- should be capable of meet- subsidies and to provide a from 1 per cent at South "At the top of my list of West Trains to 93 per cent at what they need to have in Cardiff Railway in Wales.

Virgin Rail has the most region of British Rail, the the train operators appeared agement, particularly in the challenging revenue target to be enjoying the benefits of marketing area. They need of more than doubling

Environment Correspondent Water company dividend

By Leyla Boulton,

payments are likely to fall sharply after 2000 because of a tough regulatory squeeze on profits, Ofwat, the water industry regulator, has warned. The companies include 10 former big state-owned utilities.

Ian Byatt, Ofwat directorgeneral, said his review of water charges next year would "switch gear to lower profits and there won't be than a prudept dividend

He said the double-digit effect from 2000. increases in the dividends Separately, Mr Byatt said made.

been "unsustainable".

bers of the House of Com- environmental obligations. mons public accounts comto shareholders in the past Environment Agency, the had been excessive.

But Mr Byatt said he was companies against price reluctant to impose more cuts. They argue that Ofwat direct controls on the divi- should not preclude the dends and profits of companeed for bills to rise in order nies because these would to fund further improveundermine incentives for ments to water quality and companies to cut costs. sewerage standards. Mr resources for anything other Ofwat is due next year to Byatt said the companies revise its caps on the prices had first to share with companies can charge with shareholders some of the

holders in recent years had introduce a one-off price cut in 2000 before allowing Mr Byatt was agreeing price increases in subsewith suggestions by mem- quent years to pay for new

He also attacked an allimittee that dividends paid ance emerging between the pollution watchdog, and efficiency savings they had

The same of the sa

Mary 1 3 . 1 . . .

Marian . E 22 27 1-

Eagle Eye · Louise Kehoe

Networks for all

Lack of a user-friendly PC nerd should not stand in the way of small businesses sharing the benefits

Every office needs one: somebody who can help with the day-to-day prob-So, if networking is getlems of PC use. In large companies there are IT managers who handle the iob, but in small businesses the situation is very differ-

Typically, there is somebody in the office who becomes by default the office nerd: a self-taught expert with an aptitude for computing. But the technical knowledge of the office nerd often runs out when it comes to computer networking. This is one reason why small businesses tend not to install local area networks. Yet the internet has given individual PC users a taste of the benefits of networking, including e-mail and file sharing. Intel, which this week launched a range of networking equipment es with 50 or fewer employees, believes the market is ripe for networking products that do not tax the knowledge of PC

users (www.intel.com). The new plug-together system is "dead simple" to install, said Jim Johnson, product manager. 'It takes only about 30 minutes." For the sceptical, Intel promises telephone support, even on

weekends and evenings. The cost benefits of creating a local area network are persuasive if the alternative is connecting computers via the internet. Five PC users with internet accounts, for example, would pay at least \$100 a month for the service, plus the costs of phone lines which may run to an additional \$300 or more. With a Lan, this can be reduced to a single phone line and account for internet access at a cost of about \$80 a month. The router, hub and network interface cards needed to set up the network cost about \$1,500 to \$2,000, depending on the speed of the local network. Cabling to link the PCs is extra, but additional

savings can be made by cut- and in the process parts of machine at work? And if ting the number of printers and other peripherals.

ting easier and cheaper. how long before we have computer networks in the home as well as the small office? The multi-PC home is becoming more common, but most homeowners are not keen to drill through walls to install new wiring. Alternatives such as wireless Lans or networks that piggyback on home electrical wiring may be the answer. But the cost will have to come down - to perhaps \$500 - if the home PC network is to take off. At that price it might be worth saving the trip from the living room to the home office to swap a computer disk.

"When did you last back up your files?" The question was blunt and to the point. It elicited the same sinking feeling you get when blue lights flash behind your car or the teacher asks for your forgotten homework. It is too late for excuses. It all began with a flash of lightning. Then the heavens opened and the lights went out, only to flicker back on a few seconds later. After making a few ominous beeps, my computer died.

The hard disk had crashed A notebook is not a bad idea. How often have you looked for a bookmark on your home PC only to realise it is on the machine

at work?

wiped out.

As it turned out, I was lucky. With the help of a technically savvy friend the computer was revived and no files were lost. But that back-up question still makes me shudder. There is a lot of information on that machine that would be hard to replace.

Backing up files is a chore that many of us ignore, in spite of our growing dependence upon PCs. The advent of removable cartridge drives such as Iomega's Zip Drive and SyQuest's SparQ make it easy to make back-up files in a few minutes. Yet few PCs come with drives already installed because manufacturers are cutting corners in their efforts to keep PC prices low.

For many users, it may be a false economy. If you are really serious about ensuring your files cannot be destroyed, online storage may be the answer. These services provide data storage on remote computers so that you do not have all your eggs in one basket. Examples include Atrieva (www.atrieva.com), which charges about \$15 a month.

Of course, this means putting precious files under someone else's control and trusting they will be safe and secure. If storing back-up files electronically is not an option, keeping paper copies of important documents may be the answer. That is what John Miller of netDirector Partnership advocates. He had designed a loose-leaf notebook for jotting down web site and e-mail addresses; a back-up to the "bookmarks" and electronic address book your computer

(www.miller-and-miller.net). Although it may seem a backward step, a notebook is not a bad idea. How often have you looked for a bookmark on your home PC only

the operating system were you do ever face that back-up question, you will have a much better answer than I did.

> Another Intel innovation making its debut this week is Quick Web software, which promises to speed up delivery of web pages containing big photos or other graphics. Using compression technology Quick Web squeezes graphics so that they move more quickly over the net. It also caches or stores images on the local server of an internet service provider the first time a user requests the web page. Subsequent requests are delivered from the cached source instead of

a distant web server. The delivery time of graphics-rich web pages can be halved, says Intel. So far, two internet service providers, Netcom and Erols internet, are offering Quick Web. each for a premium of \$5 a month. Intel will get a share of the revenues.

Web publishers are not all thrilled with the trend towards local caching, which makes it hard for them to count the number of times people access their pages. These numbers are used to attract online advertisers, much like the circulation numbers of traditional paper publications.

The technology may force commercial web site operators to find other ways to value their content rather than the raw numbers of internet users who happen upon their pages. Perhaps local caching may even hold the hidden promise of higher quality web site content. That would be a real step forward.

Share your views in the Eagle Eye discussion group on the FT web site (www.FT.com) or contact Lousie Kehoe by e-mail on louise a FT.com

Data transmission · Richard Poynder

Last mile is the longest

Faster downloading from the internet is in prospect

ost users of the internet will have experition at how slowly data is downloaded to their PC. The information superhighway, we are often reminded, is still under construction. Fortunately, several new technologies promise to improve the situation.

Much attention is given to developments in the capacity of the high-speed "backbones" of the internet. Yet for most people the big bot-tieneck lies in the copper wires of the phone line that connect their computer to the local telephone exchange - colloquially known as "the last mile". Like cars leaving the motorway, our packets of data drop to crawl speeds once they leave the fibre optic cables at the exchange.

Gemini, a new transatlantic fibre optic cable jointly developed by WorldCom and Cable & Wireless, can transmit data across the backbone at 30bn blts per second, or 30 gigabits per second (gbps). But the speed with which data can enter homes is governed by the rate at which the modem can transport it over the "last mile" in most cases still 28.8 thousand bits per second (kbps). So Gemini can transmit data at up to 1m times the speed of the average modem. "It is a bit like trying to drink from a fire hose," says David Howard-Jones, marketing director for UUNet UK, WorldCom's internet subsid-

Copper wires are ideal for transmitting analogue voice signals, but less adequate for moving digital data at high-speed. A remedy would be to extend into the home the high-speed fibre optic cable connecting all the telephone national

That is easier said than done. "The civil engineering of pulling in fibre to the home is horrendous," says Professor Peter Cochrane, Martlesham Laboratories. "It would cost about £15bn to do the whole of the UK.

Much effort has been expended on increasing the speed with which modems can move data through existing phone lines. Until recently the fastest rate was 33.6kbps. But last year newstyle modems went on sale which can modulate the transmission signal digitally so that users can receive data at 56kbps (but they can still send at only 33.6kbps). Then US-based Diamond

Multimedia announced it had developed a technology, called Shotgun, that can double transmission speeds by "bonding" two phone

lines. When used with the new 56kbps modems Shotgun can transfer data downstream (to the user) at rates as high as 112kbps. But as Shotgun needs two modems. as well as two phone lines, there are doubts that the bonding technology will be widely adopted in Europe

when available this year. Many believe the analogue modem has reached its limits. "You can keep tweaking the protocols," says Mike Reed, director of product marketing at Diamond Multimedia, "but 56K is probably about as fast as you can go on a single phone line". Internet cognoscenti hold out greater long-term hope for the so-called xDSL technologies. The most promi-

nent of these is ADSL (Asymmetric Digital Subscriber Line), a modem-like technology that can send data at up to 8m bits per second (mbps) across existing phone lines. Using ADSL, BT expects to offer speeds 50 times faster than existing modems.

The drawback is that, unlike analogue modems, ADSL requires a terminal device at both ends of the cable and local exchanges cast requirements of videoon-demand, ADSL can at present transmit data away from the user at only between 16 and 500kbps. To meet the more interactive demands of the internet, several alternative DSL technologies are being developed to permit faster upstream transmission. These include

HDSL and VDSL Rockwell and Nortel also recently announced a new "lite" version of ADSL that will enable data to be transferred at up to 1mbps, or 17 times faster than a 56kbps modem, using the existing equipment. "We have developed a clever bit of technol-

ogy that avoids the need to

the underlying operating

systems are based on the

western system. Only a

handful of domestically-

oriented companies have

Japanese dates exclusively.

networks heavily dependent

on date-related information

processing, such as banking

although preparations may

not be completed until 1999.

medium-sized computers, it

systems which use the

Computer industry

sources say that sectors with large-scale computer

and the travel industry.

already have the Y2K

But among smaller

is a different story.

The Ministry of

International Trade and

guiding Japanese industry

companies. The last, in July

proportion - 18.8 per cent -

had not even started. About

a quarter were working on

Small to medium-sized

respond to the threat, since

as less central to their

businesses. Important

computer systems were seen

es were slowest to

it, or said the issue was

under investigation.

Industry - the powerho

has been carrying out

surveys of a variety of

cent of companies had

already dealt with the

problem, but a larger

1997, found that 15.9 per

companies, with

rewire the exchange," says Ian Vance, Nortel Europe's chief engineer. "You can now just plug a new card into the existing system."

An alternative approach to easing the last mile bottleneck is to bypass the telephone network altogether. One of the most promising technologies here is cable and companies have recently been conducting cable modem trials. Last year, for instance, Telewest, the UK cable company, tested devices capable of transferring data at rates as high as 10mbps each way. For the moment, however, disagreement about standards hampers implementation.

Other alternative infrastructures include satellite and fixed wireless. Using the DirectPC service from Hughes Olivetti Telecom, for instance, users can receive data at 400kbps. But the speed advantage is far less than that promised by ADSL and cable. In the UK it also costs £450 for the satellite dish, PC card and software, and £15 for a monthly subscription. A more significant hurdle is that there is no satellite return path, so users have to be rewired. And as it still need a modern and an account with an internet service provider to transmit

wireless is more hopeful. Today fledgling UK wireless provider, Ionica, offers narrow-band telephony services alone. But



• The FT's review of appears on the first

telephone the company has also been awarded a 10 gigahertz licence - enough to transmit data at speeds of up to announced anything about how we are going to use it yet," says Ian Morris, Ionica's head of external affairs. "Ionica was designed to take on BT, and at the moment

Nark Nichola

3-7-4 75

350

we are mainly focused on offering telephone services." A more surprising solution was offered last October by Nortel and Norweb, which demonstrated a technology capable of transferring data across electricity power lines at speeds of up to Imbps. The benefit of this method. says Mr Vance, is that unlike cable "you don't have to dig up the roads. And it is simpler to install than ADSL. Norweb already has a school connected and it is

working extremely well." But until these technolo gies are commercially availfaster access to the internet will have to pay the higher costs associated with ungrading to a digital ISDN line. "In the short term this is the best bet for anyone who cannot afford a leased line," says Kate Hewett, an analyst at research company, Ovum.

701000

But with a top speed of only 128kbps ISDN is now not much faster than two Shotgun-bonded modems. Ms Hewett sees a bleak future for ISDN, which is an early DSL technology. In a recent Ovum report she predicts a halt in its growth by 2003, as xDSL technologies become more popular.

By then cable, wireless and satellite technologies will also be more serious competitors. Good news, says Ms Hewett, for the consumer. "Where at the moment customers [who want faster access! can only go with ISDN, in the next couple of years they are going to have a choice.'



That's the next generation of laptops, Personal Digital Assistants (PDA) and other mobile products calling. The message is clear. Their promise of greater portability and power will have to be delivered in less space than ever before.

We can help, because we've done it before. Every time speeds and pincounts have climbed, and boards and keypads have shrunk, we've helped them work together. Now, our advanced design and simulation services, circuit boards, wireless components, touch screen technology and fibre optics — as well as application-specific connectors — are ready to help OEMs create a new generation. • In addition, our extensive, global engineering and manufacturing resources can help reduce design cycles and provide tooling in weeks. A job we're already doing for companies involved in building consumer products and communications, as well as PCs. • Reduced size and increased portability will play critical roles in tomorrow's personal electronics. We can make it possible.

AMP incorporated. Contact your regional center, USA 1-800-522-6752. Canada 905-470-4425 Europe, Middle East, Africa +44 1753 676900 Singapore 65-4820311

AMP and Correcting at a Higher level are trademarks



Millennium Watch · Bethan Hutton

Double trouble date

Managers in Japan, where two date systems are used, are waking up to the problem

omputerisation came later to Japan than to many western countries, and awareness of the millennium bug is also lagging behind. As if that were not enough, the year 2000 will arrive several hours earlier in Tokyo than

in London or New York. Many Japanese managers are only now waking up to the problem. Research last year found that a worrying 12.5 per cent of managers still said they did not understand or were not aware of it. Even so, that was a distinct improver from 1996, when more than half were unaware.

The fact that Japan uses two dating systems adds to the confusion. The western system is used when dealing with the outside world, and sometimes at home as well. But often in domestic correspondence, accounts and so on, 1998 will be written as Heisei 10 - the 10th year of the reign of the current emperor.

In theory, computers using the Japanese dating system should be immune to the millennium bug or to similar problems – no emperor has yet reigned for 99 years or more. Unluckily, although the software applications may follow the

manufacturers like Fujitsu and NEC report similar

Miti also found that 39 per cent of companies capitalised at less than Y100m did not have any IT staff, relying instead on outside contractors, which meant that no one in management was well informed about computer

related problems. Not surprisingly, 60 per cent or fewer of managers at the Y2K bug as a serious nearly 80 per cent at the largest companies. "Smaller companies may cause

confusion," Miti warns. One risk is that problems at smaller companies may work their way up to affect larger companies, particularly manufacturing companies using a just-in-time supply system The large companies themselves may be well prepared, but smaller suppliers may not. If glitches lead to administrative or production hold-ups at suppliers of key parts in 2000, big names could find production lines held

The economic climate is not helping, again particularly at smaller companies, which are suffering a credit crunch.

Banks are reluctant to provide loans to smaller companies, so lack of funds for upgrading systems is

oming a problem. Computer experts say that to the Y2K threat means that there is likely to be a surge of demand for solutions from late this year. Solution providers are

indian Company

property of Company !!

Spiration, delling

Productive and related

engineering actions

Produce more from \$

william SOE bear day

with a decades of hand

World's largest pure

Epistation and ...

sigh exhibit 25 th.

lechnologies; libid.

يد خاربه ١١٩٠١

core professional

exherience.

gearing up for the crunch. At larger companies, the Japanese system of lifelong employment and relatively little use of outsourcing mean that some Japanese companies are in the fortunate position of still employing the staff who developed and introduced computer systems in the 1970s. But in Japan, as re, there is still likely to be a shortfall of programmers familiar with older computer languages

such as CoboL been looking abroad for help. Fujitsu, NEC and IBM Japan all have pilot projects under way with Indian software engineers, but face a language barrier: Indian programmers are well-versed in Cobol-based programs, but the Japanese-language documentation is another matter. The 100 or so Japanese speaking computer programmers in India are in

high demand

JOY 100 150

FINANCIAL TIMES SURVEY

INDIAN ENERGY

State electricity boards are at the heart of power problems, says Mark Nicholson

Uphill task for the reformers

There are few outright going tough optimists in India's energy sector, more common are hopes of pump-priming various grades of pessimist. Seven years after the sovereign liberalising Congress guarantees to eight fast government of P.V. track power projects Narasimba Rao, the prime backfired. The notorious minister who ushered in India's economic reforms, opened the state-dominated power sector to private and foreign capital, there have been more frustrations than group, set a trend for state

WED FROM STATISTICS AND STATISTICS A

nd Poynder

7 h - 1 - 1 -

\$\$\$ (表现)。

S 85 5

6 4 th 4 5

 $\mathcal{C}(\mathcal{M}_{n}^{m})$

5.375

30 50 45

2.0 2000 <u> 2007</u> jew

A STATE OF STATE M. 84 A. 1800.

gate to be a limit

海田県 きゃから

she tay to the

Par Alex

mar turing, with

A COMMENT

瀬卓を おかり

AND - 18 ...

はない いっこう

WE HOW THE

APPENDED.

PALLS TO

T. S. Sel

21792

建筑1. 电子2.3

建商

新起。

A LANGE TO SERVICE AND ADDRESS OF THE PARTY A ... April 1988

SEP ST Y ..

1 4 Table . 7. * 1000

44 CE TO

9-2-1

Par de A STATE OF THE STA

F (40)

40-13 giant the

ouble date

there too day is all to the profit

#**=2**4 -2 - -

Power, and more broadly energy, have been at the top of the government's agenda since Mr Rao, as they have of each of the three

And no wonder. Blackouts are routine in most Indian states, and even the pampered VIP enclaves of New Delhi often go without power. Last year the average power deficit nationwide was 9.2 per cent and peaking shortages were 18.8 per cent. Moreover, this deficit has been widening. Demand for electricity has grown by around 8 per cent for the past couple of years, while the rates of increases in supply have been lagging, at commissioned power from least until late last summer, at just 2 to 3 per cent:

While governments have opened the doors to private and foreign investment in power generation, the response has been disappointing. After an immediate rush of interest from oversees, foreign investors have found the

27-14-5

1000

of the targe

1000年度

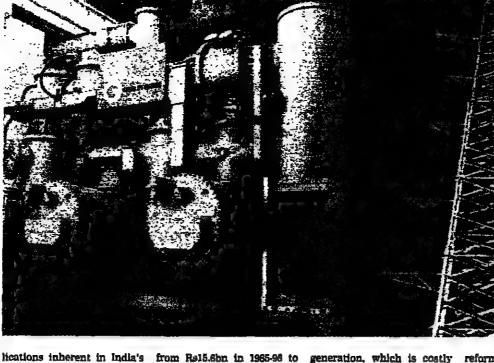
The Rao government's investor interest by offering cancellation, in 1995, by the Maharashtra government of the \$2.3bn Dabhol power plant, backed by Enron, the US energy government reviews of the pricing and project costs of the new - to India independent .

producers. Enron's project was eventually rescheduled administrations that and is due for commissioning later this year, but much damage has been done. The Maharashtra government's review of Dabhol set a trend, and most

other foreign-backed power projects also found themselves mired in langthy renegotiations with state governments, whose state electricity boards (SEBs) are the purchasers of the proposed private power.

To date, therefore, India can boast just 850MW of projects begun under the new private power policy launched in 1992. "We really have not done anything substantial," says R.K. Patchauri, director of the private Tata Energy Research Institute (Teri).

The problems have proved manifold. At one level, they derive from the comp-



constitutional division of power policy between the central government and the HIDDI. states. The centre can set policy, but the states which is most cases are the

final buyers of private power must implement.
 Frustrated project project developers have, as a result, found their projects bounced back and forth for dozens of different approvals and reviews between Delhi and the state in which they aim

to build the power project.

Most serious, however, has proved the general inability of India's chronically inefficient, politically controlled and lossmaking state electricity boards to offer commercial guarantees for the purchase of power the reason the government offered the sovereign guarantees in the first place.

Virtually all India's 19 SEBs are effectively bankrupt - unable easily to pay commercial private power tariffs or, equally critically, to invest in their own power generation projects. The latest Planning Commission review of SEB finances found their commercial losses had risen diesel-powered, power

Rs75.2 by 1994-95, with arrears of an equivalent

The chief culprit is the general, and politically motivated, tendency of SEBs to offer cheap or free power to farmers and, to a lesser extent, domestic power users. The result has been a heavy cross-subsidisation of agricultural electricity users at the expense of industry and an unaffordable subsidisation of power in general. While the average tariff

(100 paise = 1 rupee) per poised to embark on kilowatt hour in 1995, that for industry was 235 paise. The average cost of power was 172 paise per unit, This has led to increasing offtake of subsidised power by farmers (whose share of total power purchases rose to 47 per cent in 1995 from 27 per cent a decade earlier), worsening power deficits and revenue deficits for the SEBs and an increasing trend for frustrated industry (whose share of power sales fell to 35 per cent in 1995

from 50 per cent in 1985) to

resort to captive, mostly

generation, which is costly and polluting.

emerging from this mess will prove an arduous and complex task. First and foremost it will require sustain the power structural reforms of the investment needed to SEBs, or at least of a substantial number of them. With significant World Bank and Asian Development Bank backing, this process has begun. The state of Orissa has already begun a radical overbaul of its SEB, Heryana is close behind, and Andhra Pradesh and for farm users was 21 paise Karnataka states are also

> reforms. In each case, the reformist states are applying a variation on a basic believes that India will be template. This includes depoliticising the SEB, largely by installing an independent state power regulatory authority to set tariffs, unbundling the SEB's current responsibility for generation, transmission and distribution, privatising the latter wherever possible, and corporatising the separated power entities in general.

But, so far, the reformist

to enable analysts to It has become clear that forecast, with confidence, that the SEBs will be in better financial shape soon enough to another 3,000MW will, he

prevent a grave power

crunch. To India's current generating capacity of 84,000MW, the government's authoritative India Infrastructure Report last year estimated that the country needed to add 111,500MW in the next decade to meet likely demand. This, the report calculated, would require investment of around \$160bn.

The power ministry able to add 40,000MW of fresh power by 2002 and that this will at least keep the current power deficits from worsening.

Of this total, says Y. Alagh, the caretaker power minister who took over the portfolio last May and who is expected the hold it until India's elections next month, roughly half is expected to come from the private sector states remain a tentative and the remainder from minority. On present trends. India's central and state gov-

reform is not fast enough yet ernments. Of the private few have been completed. component, projects worth 17,700MW have received central government clearance and projects to generate to expect that India's SEBs says, be cleared by March. Of the state component,

6,700MW is planned for implementation by the National Thermal Power Corporation, a financially sound state organisation which, says Mr Alagh, would have little difficulty in financing its proposed projects.

However, it still remains unclear how many of these cleared private projects can actually arrange financing for their projects. In most cases, the private developers are, in the absence of any further government guarantees, seeking arrangements for payment through escrow accounts from the SEBs. The SEBs undertake to give the private producers first call on their revenues under the proposed schemes. Without such hard and fast commitments, bankers are proving

unwilling to tie up the financing of many power projects. The difficulty is that most ailing SEBs cannot afford more than one or two such escrow arrangements - and

According to Crisil, the Bomagency, it would be realistic can currently sustain, at best, projects generating only 5,979MW of power well short of the power min-

istry's hopes. Hence the preponderance of power pessimists. "The picture is really pretty dismal," says Teri's Mr Patchauri. "You really don't have enough in the pipeline. All of which put together indicates that, in the short-term, the power situation is going to get much

Mr Alagh remains determinedly sanguine, however. about 8 per cent. It was 12 per cent at the end of last April, so the situation is one of concern now. The word crisis I did use when I took over in May but, if things go well, we should be able to keep the deficit down to 7 to 8 per cent by next summer, he says. "Within two years. the decisions we are taking now will start to have an effect, so I don't see India's energy situation getting out



The globe is a small field for us to drill.

- India's No.1 Company.
- World's largest pure Exploration and Production Company with expertise in exploration, drilling technology, field development.production and related engineering activities with 4 decades of hard core professional
- Produces more than 1 million BOE per day

experience.

- with a reserve of more than 9 billion barrels of oil and equivalent
- A wholly owned subsidiary, ONGC Videsh Ltd. already having made significant discoveries in Vietnam and now seeking opportunities in Afro-Asian and CIS countries.
- Emerging as a global integrated energy company.



Jesvan Bharati Building, Tower-1, 124, Connaught Place, New Delhi-110001 (INDIA) Tel: 3310158, 3310157, 3310878, 3310860, 3721753 Fax: 3316413



Imbibing the spirit and soul of independence, and proud to be an Indian, IndianOil is making its mark on the global scene as well.

It is not only India's largest company, it is also the only Indian enterprise in Fortune's "Global 500".

IndianOil is amongst the world's leading petroleum companies, with a 1996-97 sales turnover of US \$ 15.65 billion and international trading of over US \$ 9 billion. Backed by a net worth of US\$ 2.5 billion, it ranks among the top 100 companies in Asia.

It is constantly innovating, improving its technology and increasing its international alliance base, namely Indo-Mobil with Mobil, USA; Avi-Oil with NYCO SA, France; Indian Oiltanking with Oiltanking GmbH, Germany; and a collaboration with Air BP. Memoranda for collaboration have been signed with Petronas of Malaysia, Marubeni of Japan, Petrotrin and NPMC of Trinidad & Tobago, and Emirates National Oil Co. IndianOil's premium range of servo lubricants are being marketed in Nepal and UAE also, with other markets to follow soon.

Added to this is the speedy implementation of expansion projects, of over US \$ 13 billion, including diversification into oil exploration & production, petrochemicals, power generation and LNG.

IndianOtl has also undertaken globalisation of its R&D and consultancy services in refining, pipelines, marketing and training - both management and technical. It has been lending its expertise to more than a dozen countries for the

And now, in the 50th year of India's independence, IndianOil looks ahead and beyond - with renewed vigour and determination. With its vision beyond tomorrow.

INDIANOIL: A 'Fortune 500' company . 6 refineries in India • 5,300 km. pipelines • Nearly 18,000 sales points • International marketing . Global R&D and consultancy services • 400 grades of India's leading survo lubricants.



INDIAN OIL CORPORATION LIMITED

Vision Beyond Tomorrow

STATE ELECTRICITY BOARDS • by Amy Louise Kazmin

A little light seen on the horizon

But essential reform will throw some, notably farmers, into the dark

The cost to India of subsidised or free power to its farmers is \$3.5bn a year. It is a cost that the country's State Electricity Boards (SEBs), which distribute power to customers, can ill

The ailing SEBs are expected to report combined losses of \$2.5bn for last year. They also have outstanding dues, averaging around 30 per cent of total sales, and owe nearly \$2.5bn to central government enterprises in unpaid bills for power, fuel and other services.

The poor condition of the boards is the Gordian knot bedevilling India's power sector. Independent power producers are ready and willing to build projects to meet India's growing demand for electricity. But, after decades of mismanagement and populist moves to give free or subsidised power to farmers, SEBs are in no position to pay for the power

That makes it extremely tough for the potential independent power producers to bring their new projects to financial closure.

"The fact that the SEBs are in bad shape is causing us some difficulty," says Patrice Pelletier, vice-president of SNC Lavalin, a Canadian power company with smbi tious plans for India.

Yet in this bleak scenario there are small sparks of light. Agencies such as the World Bank and Asian Development Bank, along with level-headed Indian reformers and potential independent power producers, have been trying for several years now to impress upon politicians that SEBs must be managed like profitminded companies rather than as grab-bags with free give-aways for all.

states, including Haryana, Rajasthan, Andhra Pradesh and Gujarat, some are willing to listen.

The state that has gone furthest down the reform World Bank encouragement, dissolved its state electricity board in April 1996. The board was replaced by an independent regulatory commission to fix tariffs for the independent companies that transmission and distribution. The transmission and distribution company is due to be privatised gradually.

starting this year. Meanwhile, other states have also started laying the groundwork for similar efforts. Harvana state officials are in the final stages of discussing a \$600m, 10year World Bank loan for restructuring their electricity board into three separate business entities. The state has also passed a reform bill that establishes an independent regulatory commission to set prices and oversee fair

Officials in Rajasthan, Gujarat and Madhya Pradesh have drafted similar legislation, though these bills have yet to be introduced to their state assemblies.

Gujarat is planning to convert two distribution circles into independent profit centres on an experimental basis, while Rajasthan plans to privatise distribution in

For all reforming states, the key issues are insulating electricity boards from political vagaries and raising tariffs for agricultural customers to make the boards financially viable.

"At the end of the day, the most important issue is that people have to pay for electricity," says Mr Pelletier. "It's not a problem of the SEBs; it's a problem of political will and social will that you have to pay for what

While politicians have

Initially, politicians used the promise of free resisted. But now in several power as a vote-getter, power ministry officials believe India's cultivators are now willing to pay more for a better quality, more reliable supply.

Evidence to support their view comes from the desert state of Rajasthan, where the electricity board introduced a novel scheme to help people avoid a 13-year waiting period for a power

Under the so-called "Nursery Scheme", farmers could jump the queue and get an immediate power connection if they were willing to pay Rs50.000 - 10 times the normal connection fee. Once connected, consumers under the scheme pay nearly 1.5 times more for every unit of power than other users.

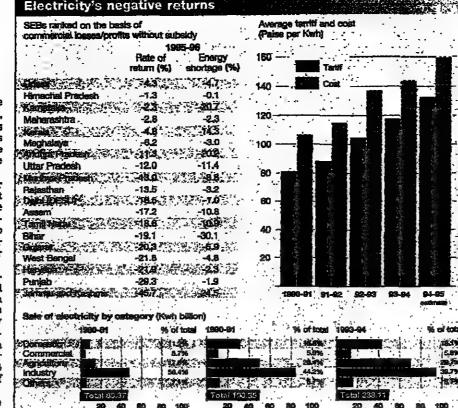
So far, some 50,000 people a quick connection, while thousands more are on a waiting list for a connection through the scheme.

The programme did generate some controversy. Initially, an uproar in the assembly forced the government to call off the programme. But the protest from the farm lobby was so fast and vociferous that it was reinstated within two days.

The man behind the plan. Pashupati Nath Bhandari, a former chairman of the Raiasthan State Electricity Board, says the project has been "a roaring success" and should change attitudes about power reform.

"This has exploded the myth that you cannot touch the agricultural sector," Mr Bhandari says. "Tariffs are a peripheral issue: ultimately the quality is more impor-

Mr Bhandari did not leave things to chance though. While chairman of the state SEB, he and other top officials held public meetings in nearly every district to explain the need for reforms to overhaul the organisation. The meetings, which sometimes lasted as long as six ing payments owed to it, and



ous and marked by heated debate. But he believes most state residents are now convinced of the need for a change, "I have created a proper climate [for

reformal," he says.

The need to overhaul the electricity boards is urgent. India's current energy and peaking shortfall, now estimated at 10 and 18 per cent respectively, is growing as capacity addition fails to keep up with demand.

in Haryana, for example, the current power shortfall is around 16 per cent, due partly to the fact that the cash-strapped board has not been able to add new gener ating capacity in nearly a decade. Last winter, Haryana was forced to declare extensive power cuts to cope with the problem. Consultants estimate that over the next two decades, the state will need \$12bn in new investment to meet its power

requirements. Meanwhile, in Rajasthan, total installed capacity is 40 per cent short of demand. Yet with \$1.1bn of outstand-

annual interest payments of \$179m, the Rajasthan Electricity Board is hardly in a position to pay for new capacity.

Nationally, India needs an estimated \$178bn in investment to meet power needs up to 2005-06. Such investment will not be forthcoming unless the SEBs can put their houses in order.

It is not just the untenable subsidies that are causing them trouble: unchecked power theft is another major

Nearly 21.4 per cent of the country's available electricity was lost in transmission and distribution in 1993-94, partly due to technical problems but also due to pilferage, often carried out in collusion with SEB employees. Meanwhile, frustrated

industries are turning away from the public power supply and building captive ganeration plants to be assured a continual flow of energy. Between 1984-85 and 1995-96, the share of domestic and agricultural customers as a percentage of the SEBs' total sales grew from about 27 per cent to 47 per cent. while the industrial share sheank from 50 per cent to 35 per cent. That has exacerbated the problems since indu trial customers pay more for power than agricultural con-

For several SEBs, the financial crisis is nearly at boiling point, V.B. Tulasidhar, an economist at the Asian Development Bank, says that in Gujarat, for addressed. There is no way

the potential to arouse mism."

heated passions. In Haryana the state power minister resigned in protest at the planned reform last February. Subsequently, eight

people died and the mother of a government minister was abducted during violent protests against the state's decision to stop repairing or replacing broken transformers for customers with large unpaid bills.

The outcry prompted the government to backpedal on a commitment to repair tomers paid 50 per cent of their outstanding dues.

The state's chief minister, Bansi Lal, is a staunch advocate of the reform and has held numerous public meetines to explain the need for it. But the task of convincing farmers has been made more difficult by neighbouring Punjab, a state where officials are currently giving

free power to farmers. In Andhra Pradesh, employees of the electricity board have opposed and stalled reform efforts.

Still, in progressive states, officials are gradually coming to the view that they have no choice, and analysts believe there is a momentum for change. The drive for reiorm would also get a boost if parliament passed a proposed bill to establish a central energy regulatory

Even if it does not. reforms are likely to power shead at the state level "India will reach a critical mass for reform," says Djaexample, "there is a feeling mal Mostefai, a senior that this problem has to be energy specialist with the World Bank, "There is reason for a little bit of cautious Yet power reform still has - very cautious - optiPETROLEUM • by Arny Louise Kazmin. ...

Six years on, the well is at last uncapped

Deregulation opens the way for the investment needed to meet huge demand

Back in 1992, India appealed to multinational companies and private Indian investors to set up oil refinerles to help meet the country's rapidly-growing demand for petroleum products. Six years on, the efforts to the most part, fallen flat.

such as Shell, Mobil, Elf, research house. Exxon and BP are keen to win a slice of India's growing petroleum market, they have been hesitant to invest in the tightly-controlled secfor because, until now, the distribution and sale of nies such as Shell, Oman Oil refined petroleum products and Saudi Aramco and Niphas been the province of a monopoly of state-owned companies selling petrol and other products at state-set prices. Likewise only stateowned companies could import crude oil.

It was a structure offering little incentive for private sector involvement. "No one is going to invest in a pure refinery - it's not viable," says R. Venkatraman, a senior analyst at BZW Asia. "The icing on the cake is marketing.

Now the rules of the game are set to change. Just days before the collapse of the United Front coalition, the Indian government's cabinst approved a far-reaching plan to dismantle the controls throttling the oil sector's growth. The plan calls for price controls on petroleum products to be phased out over four years and for a rationalisation of import duties – so tariffs are higher on refined products than on

The state monopoly on crude oil imports will end and, crucially, companies which are either operating refineries with an investment of more than Rs20hn or producing 3m tons of crude annually will be allowed to sell transportation f the retail arena.

"What we are seeing is a reversal of 30 years of state control," says Mehdi Varzi, director of research at Kleinwort Benson Securities.

Details have yet to be clarified. The government notice has little to say, for example, on the key issue of whether refiners will be permitted to build their own pipelines for distribution or will be required to use pipelines planned by a consortium of state-owned companies. Also, the government is still talking of issuing licences for the importation of crude, which leaves potential investors concerned.

Nevertheless, analysts say the direction of the policy is clear. "They want oil majors to invest in refining and oil production. Oil majors want to market the products. Now the settlement is that they'll be allowed to sell in India but they'll have to make a supporting investment, says Harshad Patwardhan who monitors the industry While global oil giants for Caspian, a Bombay-based

India's ministry of petroleum estimates that at least 110m tons of additional refining capacity will be required to meet domestic needs by 2010. While foreign compa pon Denro have all been given initial permission to build refineries - some in conjunction with stateowned companies - work has started on only two new refining projects, and both are sponsored by Indian companies. Bombay-based Reliance Industries is building a 15m-ton refinery, and a

struction by the Essar group. However, Indian officials hope the move to deregulate the industry will help revive. or spur on, the stalled projects as well as luring new

investment. Oil industry sources and analysts believe it will. "It's a major step towards upgrad ing this market to global standards and attracting significant investments in the downstream refining sector," says Vikram Mehta, chairman and country manager of Shell India Private, which is aiready conducting oil exploration in Rajasthan. "We would invest in India if we had the opportunity to take the product and market it

under our brand name." Shell, with an eve towards the eventual opening of marketing, has already been working to build brand equity by managing several petrol sta run by its joint venture partner, the state-owned Bharat Petroleum.

To a casual observer, the trial stations look like Shell sites and offer attentive service, mini-markets and other features associated with petroleum marketing in the US and Europe.

But it is not just potential private investors who stand to gain from deregulation.

Continued on facing page

Our track record is very much like

Linford Christie's.

Consistently brilliant.

Bharat Petroleum has an annual turnover of 5 inland installations, 2 lubricant plants and

reflects in many things. We have been consistently paying our dividend since inception. Our share price - a Rs 10 share is quoted at Rs 440. And our presence in the country-4376 retail outlets, 1162 LPG distributorships, 68 depots, 8 coastal installations.

over Rs 1,79,000 million. This makes us a refinery with over 120% capacity utilisation the second largest public sector oil for the past four years. What's more, we marketing company in India. Our position have even more exciting projects lined up.

For instance, we have 3 joint Bharat Petroleum FOR YOU, FOREVER

venture refinery projects, joint ventures in LNG and power. We also have 3 major crosscountry pipeline projects. So if you are looking at investing or doing business with an oil company in India, look no further than Bharat Petroleum.

Surviving troubled waters

These are turnment times for Indian Oil, India's biggest oil company and the country's only Fortune 500 company, as it attempts to make the evoluntionary leap from a domestic quasi-monopoly to a global oil concern.

The company is still recovering from a severe liquidity crunch, which reached crisis proportions in mid-1997 following the government's failure to pay more than Rs100bn owed to Indian Oil from the central

oil pool account. It is bugely exposed to the opportunities and risks generated by the governuent decision ment's *s*ub to dismantle the administered price mechanism and move to a market-priced regime with greater competition by 2002.

And it must learn to come to terms with a new class of owners as the government begins to reduce its 91 per cent stake in Indian Oil through the sale of global depositary receipts to foreign investors.

But 1998 promises to be an easier year for Indian Oil than 1997. Its immediate financial crisis appears over. "We have come out of it very well." says S.C. Mathur, finance director, before admitting that "it was the most Oil and for me personally". In order to pay for

challenging time for Indian imports of crude oil the company was forced to raise borrowings sharply. Short-term foreign exchange borrowings rose from about \$1.5hn to a neak of \$3.5bn, while the total

Rs55bn in March 1995 to. A fall in the international crude oil price has since alleviated the oil pool deficit - allowing the government to pay Indian Oil about Rs15bn. This, in turn, enabled the company to cut foreign borrowings to \$2.8bn now.

"At present we have receivables of about Rs85bn." says Mr Mathur. The bulk of this balance will be converted into government petrobonds with a five-year maturity paying a coupon of 10.5 per cent – which Indian Oil expects to receive in March or April.

Many analysts describe the issue of petrobonds as a "second-best solution". Its principal effect is cosmetic reclassifying the debt as an "asset" rather than a "receivable" on Indian Oil's books. The petrobonds are not tradeable - making it impossible for Indian Oil to realise the sum owed - and the coupon is probably less. than the cost of borrowing. Further, there is an element of political risk over the

ultimate repayment. But Mr Mathur says the petrobonds are helpful. "Receivables will become an investment yielding a return," he argues, "Also, we will be able to borrow against these securities." The government has agreed to make up any difference between the coupon and the cost of borrowing through the oil pool account. "If the cost of borrowing is 12 per cent I will be refunded 1.5 per cent," be says. Indian Oil plans to increase its refining

canacity from 25m tons today to 40m tons by 2000. beginning with an additional 6m tons capacity at a new refinery at Panipat. But the bulk of the increase will come from expansion and upgrading at Indian Oil's old existing plants. This forms the centrepiece of investment plans totalling Rs300bn over five years - Rs200bn of which will be funded by

M.A. Pathan, chairman, says the company's plans were based on "conservative" estimates of emand, suggesting there is a gap of 20m tons between India's current refining capacity (61m tons) and demand for refined products (81m tons). Indian Oil worked on the basis of government forecasts that emand would rise to 113m tons by 2002, excluding demand from new nower projects. The additional demand could be 10m tons.

internal cesh flow.

to 15m tons." he says. :: There is also a risk that. some of the newly-licensed private sector refining projects will not complete according to schedule. The final details of the government's plan to dismantle the administered price mechanism are yet to. be finalised, although Indian Oil expects

earnings to increase as a result of its low cost of capital on its established refinery, distribution and sales infrastructure. The company has already decided to assess all new projects "with reference to their capacity to earn in a free market".

The company is

upgrating antiquated technology at some of its older plants, reducing sulphur emmisions and sprucing up its retail outlets to prepare for

But Mr Pathan is confident. "We are in a commanding position at the moment, and there is no reason why we should not remain in the same position despite the liberalisation.

Indian Oil has huge advantages in 🗀 🙃 infrastructure - inclading a 5.500km network of pipelines, 6,600 petrol stations and 4,600 captive numps for truck and bus

At the same time cemeal inroads are mad

reduce its equity state.

cent. It has already received government permission to expand its share cantal by 10 per cent and the government plans to sell about 10 per cent of the Mr Mathur says the sale is likely to take place in two stages, each comprisi the sale of a 5 per cent

Krishna Guna

Topy ou Da

outstanding debt rose from



大学程 - -

S 345

5. 7.3%

2274

A 180

i singal

and the second

The state of the s

_ / _ 3

/**** 天装

W. 65 . 25 . 45

· 1975年第二次1945年

however, whatever into the Indian petroleum market are likely to be. 42 least th part, at Indian Oil's

Indian Oil plans to reise fresh equity capital to help-fund its ambitions in: tandem with the government's moves to towards a probabile long-term target of 61 pm

smis

The Notice

(0) 1203

PROBLET Power Grid Corporation

WED CADAS JAMES

* * (- - · 775 P. A. A. A Louis Sec 200 C grade and a Mary Control 2.2 (5) $\S_{n+1}^{-r_1} = Z_1$ 5 35 1 1 1 15 1 1 1 1 1 1 50.00

- 30

0 E

320. At -

Bulkery of

 $\mathbb{M}_{n,n} \in \mathbb{N} \setminus \{0,1\}^n$

APP TO L 8 C. N. 李华山人 3¢./-ja (5): 400 be . .. 9 52 V 2 8-11 Board State of

and the second make yang ber Kimpan dan

-1 2 2-12

Barta . MANGE. A STATE OF THE STA *** **安**斯(10) · · · · ber sound of the - Table 1 · 新和助和 100 No. 74 ETC/RY TOTAL . C. The state of the state of The base

Benge to men.

高速研究 227.46-

Lin JZ1

47 HENT The second secon

Water and

The same of and Control

uncappe

Seeking to provide national distribution Wittens Of the Control of the Contro For most of its 50 independent years India has built most of its power stations tied to specific sources of fuel and linked to specific, and usually local,

State of 17: 17

12.50

10 m to 10 m t

1

 $\beta N \subseteq \mathbb{Z}_{2}, \mathbb{Q}_{2}^{2}$

4.

100 mg 12 mg

 $|x| + |\nabla u|^2 \nabla u^2 d^2 u^2$

17.1-

Material

114.2120

Sec. 1.12

10000000

4-5

outlets for the use of their electricity. It therefore has no national electricity grid. Worse, only two of India's five regional grids are fully and effectively linked. "It's not an optimal state of affairs," says S. Majumder, general manager of Power Grid Corporation, the state body

created in 1989 to rectify this glaring deficiency. Indeed not, since without the ability to shift power across india's vast plains, the country is incepable of levelium peak power deficits as they vary from region

Neither can India yet fully evacuate power from proposed mega power projects producing more electricity than a single state or region

can currently absorb. Without a functioning grid India cannot even contemplate creating a national market in electricity, or even a system Whereby tartifs are set according

to availability of power. For these reasons, among others, the government created Power Grid even before the country embarked on the wider liberalisation of power generation. Again for these reasons, multilateral and bilateral lenders bave come to view Power Grid as among the most vital components in India's attempts to reform its ailing

power system, So far, the fully state-owned entity has received more than \$1.53bn from international donors and agencies, with an equivalent sum promised for future ventures. The World Bank alune has committed "in principle" to loans of \$1.5bn over the next seven years.

The goal is to enable Power Grid to meet the ambition of forging from India's ad hoc and poorly synchronised local grids the rudiments of a national grid by 2002, one capable of shipping 1,000 to 1,500MW of power between the five existing regional grids.

The corporation has already invested \$1.2bn in the enterprise and estimates it will cost a further \$1.6bn by 2002 to complete its part of the

It is a task of mighty complexity as well as cost frustrated by wide regional variations in power voltages, frequency, supply and demand. "The parameters differ

Majumder. "So, for instance, at the moment we cannot effectively link nower sumplies in the north to the south of the

In some cases, he says, Power

Grid can build up and improve existing power links. but in most others the task requires building, from scratch, a parallel transmission system. often overcoming problems of differing frequencies and voltages by installing direct current high voltage links rather

than alternating current

linkages. At the same time, Power Grid is investing around \$650m in creating five load dispatch centres in each of the five current regional grids to manage

the national system. At present, only India's eastern and north-eastern regions are linked, by a 500MW high-voltage and direct current connection.

Power Grid is now working to establish three other trans-regional power bridges, a 500MW DC link from Orlssa state in the eastern region to Andhra Pradesh in the southern, a 400KV

AC line from Assam in the north-east to Malda in the east, and a 500MW DC link between Bihar in the east and Ribard, west across the northern plains

into the northern region grid. Future plans include a 2000MW beleaguered and largely DC link between the eastern and southern regions and a 3000MW boards, supplementing DC link tying the east to the north. Beyond its central task of

creating the national grid. however, the corporation has a wider remit - one reflecting its emerging position as the central overseer of a national power system and one simply reflecting the ambitions of what has becume one of India's better-regarded public entities.

Given its national outlook, it is natural that Power Grid been given the responsibility of attracting and vetting all bids for the mega power projects power than a local grid could

evacuate - and for beloing create the required transmission

The corporation has also begun diversifying into offering consultancy services to India's lossmaking state electricity transmission tariff revenues from the SEBs which comprised the bulk of the corporation's turnover of around \$250m last year - on which it returned an operating profit of \$78m.

So far Power Grid has not needed any direct government support. The company is required to meet 30 per cent of its investment from internal resources and accruals but relies otherwise on multilateral and bilateral loans and commercial hormwines.

its financial planning envisages meeting the cost of per cept from domestic and

foreign borrowings, 23 per cent from the World Bank, 21 per cent from accruals, 7 per cent from the Asian Development Bank and 5 per cent from Japan's Overseas Economic Co-operation

Sustaining its proposed share of total investments will require a significant rise in current earnings - particularly since likely growth in revenues from the SEBs is necessarily

limited. Which is why Power Grid looks likely to extend its reach further into telecommunications proposing to undertake the creation of a national fibre optic telecoms "backbone". The corporation has already opened talks with other government ministries over the project. designed substantially to auement Power Grid's earning

Mark Nicholson

PROFILE State of Orissa

In the last five years, the eastern India state of Orissa has received serious investment proposals of more than Rs1.31bn from domestic and foreign groups to build new industries. Such enthusiasm, according to a spokesman for the state government, was triggered

of the power sector. Orissa, which previously had a poor record for generation station plant load factor and loss of power during transmission and distribution, quickly became the paresetter in power sector reform as it was the first state to take advantage of a World Bank-financed restructuring scheme.

by the "very brave" reform

The bank's officials acknowledge that the Origon government's reform programme goes well beyond their prescription of a "significant private role corporatisation of utilities, rationalisation of the tariff

The state is one of the richest in the country in terms of mineral resources. but investors have avoided Orissa because of its now, when Mr Janaki Ballabb Patnaik, chief in the process of becoming he sounds convincing.

the Central Electricity Authority, Orissa will have a surplus of 264MW by . 2002, the last year of the country's ninth five-year

the comprehensive power reform programme is to reduce the role of the government in the sector to a minimum and to create the conditions for private investment in power generation and distribution. The state government is hopeful that many other-

structure and setting up of an independent regulatory

chronic power shortage, But minister, says that Oriesa is the "power-house of India", According to a survey by

The principal objective of

Reform powers progress

Indian and foreign groups will follow the example of AES Transpower Corporation of the US. which is constructing a 500MW coalfired power build thermal and hydro-power generating stations. If this hope is fulfilled then, instead of the projected shortfall in power of 874MW by 2007, the state will continue to have

surplus power. state to have split the wholly government-owned State Electricity Board into separate generation and distribution companies and set into motion their privatisation. The Orissa Electricity Reform Act was put in place

with a total capacity of 1,237.5MW, to Orissa HPC and the transmission and distribution of electricity to the Grid Corporation of Ovissa (Grideo) with effect from April 1 1996.

The Orises Power Generation Corporation (OPGC), which owns 420MW thermal power capacity, has always been a separate, wholly-owned government company outside the SEB The government estimates

that the implementation of the power sector restructuring programme (across India) will cost about \$1bp. The World Bank is making a line of credit of \$350m available. with the UK's department for international and the Asian Development Bank a further \$57m.

Bijoy Jena, chairman of Grideo, believes the reforms will lead to the establishment of a sustainable market structure which promotes

the growth of the power sector and ensures : reasonable commercial return to the market. participants, It will also protect the interest of consumers". As a prelude to the privatisation of its power

distribution busin Gridco bus formed four subsidiary companies and 51 per cent of their equity capital will be transferred to private companies by March 1999. "We set the privatisation

ball rolling on November 28 1997," says Mr Jena. "The privatisation is highly encouraging. A foreign

at Ib Valley. Merchant bankers say the competitive bidding

organisation," No single group or consortium will be given najority ownership of more than two power distribution companies. "We want healthy competition in the power distribution sector," Mr Jena adds,

through a consortium which

includes an Indian business

As the distribution business is span off into four separate companies, Grideo will be concerned with the bulk buying and selling of power. The state does not intend to privatise the transmission business in the near future. However, both OHPC and OPGC will progress with distrivestment

Merchant bankers expect there to be many domestic and foreign bidders for the

shares of OPGC which owns two new thermal stations and which is building another two coalfired units

bidders for majority ownership of distribution companies will seek assurances from the government that they will be allowed a free hand in eliminating loss of power due to theft, non-metering or defective metering of use of power and inefficient revenue collection. The government is strongly committed to reform and will not hesitate to let the distribution agencies plug

the theft of power. According to Grideo officials, what makes the share offer attractive is the package of measures Grideo has initiated to make both transmission and distribution busine profitable. Supported by the international lending agencies, Grideo is modernising the trans-

mission and distribution systems and replacing the old meters. The work is to be completed by 2002.

Industry officials argue that the establishment of the Orissa Electricity Regulatory Commission the country's first - as a transparent and independent regulator" to fix the power tariff and gradually phase out the aubsidisation of the household and agricultural sectors by industrial and CONTURIERCIAL CONJUMENTA confirms that the government means

Orissa will be exploiting about 40 per cent of its hydro power potential of 15bn units by 2002. With nearly 47bn tonnes of non-coking coal at Ib Valley and Talcher, the state could be a perennial source of power for the rest of the country. The challenge is in attracting investment.

Kunal Bose

Petroleum's well is uncapped

For the public sector companies that dominate India's oli industry, an end to price controls is also good news.

Until now, the profits of companies such as Indian Oil Corporation, Hindustan Petroleum and Bharat Petroleum were constrained by a Byzantine system of controls requiring them to import crude at world prices and sell refined products at statedictated prices. The government guaranteed companies

earned was deposited into

'oil pool accounts'. If official prices were below world market prices. the government compensated companies through the same fund. The prices themselves were set by the complex cross-subsidies. much-needed Under the system, petrol for

Investing in electricity

transmission worldwide

The National Grid Company plc

Tel: +44 (0) 1203 423268 Fax: +44 (0) 1203 423249

http://www.ngc.co.uk

ing and lighting.

In November 1995 and the

government transferred all

the hydropower stations,

Although the system functioned for a while it has become unsustainable in recent years due to rising global oil prices, a hefty increase in imports, falling domestic output and rising "administrative price mecha- subsidies. Yet Indian governnism", a 22-year-old net of ments repeatedly postponed increases. As the end of last cars and aviation turbine year approached, the deficit fuel were overpriced to sub- in the oil pool account had sidise kerosene, the "poor swollen to nearly \$5bn,

Continued from facing page a 12 per cent fixed return on man's fuel", used by an esti- pushed up in part by a investment; any surplus mated 300m indians for cook- \$1.8bn bill for subsidising kerosene during 1996-97.

Analysis warned that, if steps were not taken quickly, Indian Oil Company, the country's sole crude oil importer, would exhaust its \$3.5bn ceiling on foreign borrowings by Forced to act, the govern-

ment in September increased

the price of diesel by some 22 to 26 per cent, bringing the price to import parity. It also said that with immediate effect diesel, naphtha and fuel oils would be linked to world prices. Officials subsequently announced that consumer prices for gas would reach global parity within two years. Finally, it receivable by oil producers would reach import parity in five years and that, as of April 1, refineries would begin to receive a tariff-adjusted import parity price for a range of products including motor spirit, kerosene, diesel, aviation turbine fuel

and LPG. With the price reforms, India's public sector oil compantes are likely to see a significant rise in their profit-

This will provide them with much needed resources to pursue expansion plans designed to meet future demands. "It's definitely welcome news," says Caspian's Mr Patwardhan.

Plenty remains to be done, however. Last year, the government announced a new exploration licensing policy. but bidding on exploration blocks has been stalled until the government formulates a new petroleum tax code. India also has to establish proper regulatory mechanisms to ensure fair compe tition between state-owned and private companies - an issue of critical concern for potential foreign investors.

These watchdog bodies should have strong teeth to prevent the abuse of monopoly positions," says Mr Varzi. Private companies say that getting the option to build their own pipelines, rather than being forced to rely on lines run by competitors, is also a key factor.

Analysts say the steps taken so far bode well. A new regime will take control after next month's elections, and most believe that the plan to deregulate the oil sector will be implemented.



A PREMIER FINANCIAL INSTITUTION IN THE EMERGING MARKETS



India is Asia's emerging success story. Industrial Development Bank of India, India's foremost financial institution, is the key player in its industrial transformation. And with liberalisation sweeping the country, it is playing a pivotal role in helping India integrate into the world economy.

For foreign investors looking towards India, there is no better place to start with than IDBI. Intimate knowledge of India's complex and inter-related markets. Expertise of diverse industrial sectors. Feel of economic trends. Products and services ranging from project funding to merchant banking. A team of committed professionals... Everything you would expect from the development financing institution with diversified assets over US \$ 14 billion and a net worth exceeding US \$ 2 billion. As a forward looking financial institution, IDBI is equipped to face future challenges and help India take its rightful place in the global markets.



Industrial Development Bank of India

Developing India - Through Innovative Finance IDBN Tower, Culte Parade, Mismba: 400 005 India Ph (22) 2189117 Fax (22) 2180411/2188137 Telex: 0118-2193/4812.

W 1414 Z .

Milking a natural resource

India's 230m cows are an unlikely power supply for its 950m people

950m people is one of India's have sufficient dung to feed biggest challenges. But the country has one unexpected plant. resource which is lighting up many lives: cattle dung. With an estimated 230m bead of cattle in India, dung is amply available. Several million Indians are already using dung-derived gas -

ing and lighting. The story of biogas begins in the 1950s when Indian scientists developed a design for a small structure that eyes. Now, all the family's uses anaerobic digestion to turn cow dung into clean- gas range. "And we don't get burning gas, while leaving smoke in our face," she says. plenty of material left over for fertiliser.

known as biogas - for cook-

Initially, the plants were introduced on a limited scale. But after the oil crisis of the 1970s Indian officials began actively promoting smoke from wood fires. the use of biogas plants. offering subsidies and train-

households, while 10,000 stonemasons around India have been taught how to huild them.

A family needs between two and five cattle – depend-Meeting the energy needs for ing on the type of cattle - to the smallest, household-size For Sunita Sharma, a

farmer's wife and mother of

five in the Indian village of Moradpur-Nizam, the biogas plant her husband installed several years ago has been a boon. Previously, Mrs Sharma spent three or four hours a day collecting wood to use for cooking. When she prepared meals, acrid smoke from the wood fire stung her meals are cooked on a bio-Advocates of bio-gas say

the unusual fuel can reduce the incidence of lung and eye ailments among rural women, who often suffer from prolonged exposure to

Biogas is used not only for

have been installed in 3.7m specially modified genera- They have been using it for tors. Mrs Sharma's neighbour, Yeshpal Singh, is a relatively wealthy farmer with about 25 cattle. He has that, next year, they plan to installed a large, 35m3 capacity biogas plant in his yard. His family uses the gas for cooking and to run a generator which powers their television, refrigerator and farm equipment when the government power supply is cut off. That, they say, is most of the

> Mr Singh says word of biogas is spreading. "People are inspired to get these plants," he says.

Biogas is not limited to household use. Mohammed Haroon Choudry and his brothers run three roadside restaurants in the village of Dasna on the road between New Delhi and Lucknow. For most of their cooking the brothers depend on cylinders of liquid natural gas, which are often bought at high prices on the black market Recently, though,

Choudry brothers, who also have farmlands and a dozen cooking; in sufficient quanti- cattle, installed a small bioing courses to encourage ties, it can also be used to gas plant behind the restau-

their spread. So far plants generate electricity through rants as an experiment. emergencies when the regular gas runs out and are so impressed with the results spend Rs80,000 on a large biogas plant to provide enough gas for them to cook most of the food at their three restaurants. Not only will the supply be more reliable, it will also save them money.

Energy specialists say the spreading use of biogas points a way towards overcoming the cost and obstacles of electrifying 600,000 rural Indian villages.

Dr R.K. Patchauri, director of the Tata Energy Research Institute, says that with new technology making small turbines nearly as efficient as larger ones, bio-gas, including gas from bio-degradable agricultural waste, could conceivably generate electricity for individual villages - something that may be far more efficient than trying to bring villages onto

"In the Indian situation, it ls not sensible to generate power and feed it into a conventional energy sources,

Cattle play an important role in the Indian community...and for some it provides

to have local and specific have enough cattle to meet power - like a windmill to generate an irrigation pump.

Despite the enthusiasm of its users, the spread of biogas in India remains far below its potential. According to the ministry of nonsome 12m rural households

their energy needs though bio-gas. Yet the government est plant. budget for promoting the fuel is just \$15m per year enough to subsidise the con-

struction of only 200,000 new

able, to afford the \$200 or so needed to install the small-

The success of the plants is also erratic. While in India's southern and western states around 90 per cent of the installed plants are func-Without at least some sup- tioning well, in states such port from the government, as Bihar and Uttar Pradesh few farmers are willing, or many are either lying idle or future.

are out of order. Mahatma Gandhi's view that India's cattle are a source of wealth is true in unexpected ways. With a little political will and a few more resources devoted to it, cattle dung can help power Indian villages into the

-

279.50

and th

120

200

CT SEL

2

一位と対象的 Transfer Con **化产生 皮肤**病毒

न नामके

FIG TOO

平元为主题之

行得的是否

THE PERSON NAMED IN

Company of the

TO THE LINE

THE PLAN

NATURAL GAS • by Andrew Symon

The answer to some inflated expectations

India's need for LNG is mirrored by the regional suppliers' need for new markets

India is set to become the first new market east of Suez for liquefied natural gas stream, alongside the (LNG) by the start of the new century or just after.

of talk that Thailand, China (Gail). and maybe even the Philip-Asian LNG importers - con- outside of traditional wood, sisting of Japan. South dried dung etc) is small, Korea and Taiwan - only in making up only about 11 per India is prediction becoming cent of the total, as against

continues to fall short of

ernment wants to see more gas available. gas consumed to help overpolluting coal; and on-going industry deregulation and gas price reform is resulting in new opportunities for foreign and domestic companies, upstream and downstate-owned Oll and Natural Gas Corporation (Ongc) and

While there has been a lot Gas Authority of India coal's 54 per cent. But the India's position arises government and the companies in the sector believe

potential demand; the gov- demand provided there is British Gas, active in west

come excessive reliance on India, projects a threefold increase in the country's total gas consumption by 2006 when it would account for 20 per cent of energy consumption_ Such projections assume

imports. The Indian government itself does not expect anywhere near enough additional production from India's own gasfields - the LNG's share of modern main ones are Bombay High pines could join the list of energy consumption (that is, and Guiarat High, offshore in the north-west, with small fields also in the north-east and in the south-east although it is encouraging exploration as well as promoting investigation as to how coalbed methane from there could be no limit to India's extensive coal

reserves might be harnessed. For India's western and north-western regions, LNG can be readily supplied from the Middle East and, maybe, one day through pipelines from Iran and Turkmenistan; for the eastern and southern regions, there is supply from Indonesia, Maiaysia, Australia's north west; pipelines from Bangla-

desh and Burma are also

mooted for the longer term.

Given the economic problems in Asia and the slowing of LNG demand growth in South Korea and Japan, LNG producers in the Middle East, Australia, Indonesia and Malaysia will be keenly turning to the sub-continent for markets they would earlier have hoped to find in

There is a wide field of for- not be enough. eign and domestic companies planning LNG import developments, and the government is keeping a light hand on the tiller of this competition. For example, no detailed planning and licensing for LNG receival terminals is to be required - a sharp contrast to LNG import development in South Korea a decade ago when a government enterprise, Korea Gas (Kogas), was given an LNG import

monopoly. The situation now in India is consistent with the thrust of its energy sector policy since the early 1990s which encourages increasing private sector participation. This will ultimately be under a new regulatory authority designed to prevent monopolistic pricing.

In this environment, says Rebecca Mark, chief execu- 1995 when a new state gov-Enron International, success depend very much on their efforts to develop downstream business and secure a strong customer base. Government permits alone will

Enron sees itself as leading the pack in this regard. industry chain, beginning with export supply of LNG from its Qatar project in the Middle East; construction and operation of a receival and regasification terminal south of Bombay on the west coast; construction and operation of a high pressure transmission pipeline from the terminal through Bombay and onto the city of Hazira in the state of Gujarat; and providing base load demand through its large Dabhoi Power Plant in the

Dabbol, one of India's first independent power plant developments and one of the largest foreign invested projects in India, is firmly on track after being derailed in ernment came to power. A new agreement was concluded with the state government in 1996.

state of Maharashtra, now

under construction.

Enron plans to import in the order of 5m tons of LNG annually. Of this, 2.3m tons will fuel the 2,450MW Dabhoi

sold to other bulk consumers. While the first 826MW phase of the plant, to be commissioned in December this year, will use naphtha or distillate, gas should start to flow for the plant by the time the 1,624MW second phase is completed around 2000.

British Gas International, the offshore arm of British Gas, is also well placed. It is also focusing on the western area of India, in and around Gujarat state, one of the lised regions. BG, too, wants to import LNG through its own facilities as part of a wider strategy to develop addition to the use of domestically-produced gas.

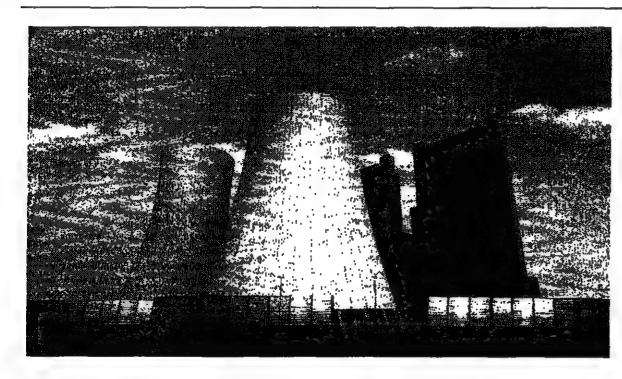
last year it acquired a controlling stake in the listed private sector gas distribuof pipeline serving industrial, commercial and residential customers in Surat. you then have a chain," says Ankleshwar and Bharuch. Gujarat adds enormously to region, Ted Trafford.

BG has some of the build-

gar Gas, a 50:50 venture since 1994 with the stateowned Gall, now reticulating gas to customers in Bombay as well as providing compressed natural gas (CNG) to some 5.200 taxis.

To expand further, BG wants to be importing 2.5m tons of LNG a year by 2003, probably from Qatar through a receiving and regasification terminal at Pipavav across the bay from the large cities of Surat and Hazira. The terminal would country's most industria- supply the Gujarat Gas system with additional imports for dedicated power customers. BG is pursuing the LNG terminal project with the downstream business, in Guiarat Pinavay Port, and may also become a user on the demand side through its participation in a proposed ing blocks in place. In July \$15MW power plant project at Pipavav.

"The wheel that turns it Gujarat Gas, India's largest all is being able to distribute to residential users, industion company, with 1,000km. trial users and power plants the head of BG's Asia-Pacific



We are involved in power generation projects in Europe, India and Asia Pacific, In each of these, our first task was to construct a

BEFORE WE

complex structure - a network of relationships. With governments, fuel suppliers, plant manufacturers and potential customers which help us

BUILT THIS,

to utilise our engineering, commercial and management expertise to develop projects. For example, in India we are now generating

WE BUILT A

electricity at the GTEC project developed with Torrent Export Limited and pursuing other opportunities with the Aditya Birla Group.

PARTNERSHIP.

When it comes to international developments, we make sure that before the foundation stone is even laid, we've already built a solid foundation.



FOR NOW AND FUTURE GENERATIONS

ianonal, Earnesi House, 13th Floor, 194 (Airman Foint, Bombar, 400 (2), Tel. +91 (2) 2862494, Fas. +91 (2) 2846260.

PROFILE Gejarat Forcent Energy Corporation

A LNG future beckons

Next October, Guiarat **Torrent Energy Corporation** (G-Tec) will switch its three gas turbines to combined cycle - reaching full capacity output of 655MW. The first of these turbines generating 120MW.

The company - owned by India's Torrent group, Powergen of the UK. Siemens of Germany and the Gujarat Power Corporation ~ is now discussing plans to triple this capacity to 1,800MW, using new supplies of imported liquefied natural gas (LNG). It has already secured agreement in principle with the state government to raise output to 1,200MW.

The key challenge on this one is to obtain fuel," says Gerry Grove-White, Powergen India. "And that is almost certainly going to be liquefied natural gas."

Mr Grove-White says G-Tec could expand its existing plant quickly but it will have to wait "two or three years" for the current wave of liquefied natural gas projects to come on stream. At this stage G-Tec may convert its existing plant to LNG. "There is not enough gas

at the moment," adds Mr Grove-White. He says G-Tec would consider using a temporary fuel, such as naphtha, while projects reach completion. "But we believe that, long-term, naphtha is not a fundamentally sound way of fuelling a power station It is very expensive."

G-Tec was incorporated in 1992 as a joint venture agreement between Torrent, a diversified industrial group, and Gujarat Power Corporation, a vehicle set up by the state of Guiarat to promote

investment in power. A year later, Siemens agreed to take an equity stake as equipment procurement and construction contractor. In 1994, Powergen also bought into

the project when it was appointed operation and maintenance contractor. Powergen now holds 28 per cent of G-Tec's Rs7.3bn equity, while Siemens holds 14 per cent. "We wanted the

contractors to have a long-term interest in the project," says a G-Tec spokesman. The company also needed foreign equity participation to allow it to raise funds abroad under Reserve Bank of India znidelines. By the time the two

companies came on board G-Tec had already negotiated a power purchase agree **Gujarat State Electricity** Board, backed by escrow accounts and a state government guarantee, and started work on the site. The Indian promoters (shareholders) showed real entrepreneurship," says Sudhir Shah, president (commercial) at G-Tec. They started spending their own money before the company's borrowings were in place." He says the shareholders "knew that things would happen, but that they would take their own time" and were prepared to "take risks" in

the meanwhile. This aggressive approach helped sustain the project's momentum. G-Tec avoided becoming mired in political controversy in spite of frequent changes in government - in no small part due to the good offices of Torrent and Gujarat

"This project has seen six chief ministers," says Mr

العرد المن الرحل

Grove-White. Fortunately, be adds, the senior state bureaucrats provided an essential "thread of . continuity" and there was common "political will"

While Siemens provided world-class expertise as a turnkey contractor installing V94.2 gas turbines and waste heat boilers - Powergen concentrated on design and managing the project risk.

among all state parties to

see the project completed

"I think Torrent would considerably in risk management and risk mitigation." says Mr Grove-White. "Fuel was one area where we were able to add to the contract in one or two areas to improve

risk allocation." This was not without cost - sparking occasional clashes between the partners - and the end result rarely met

international standards. The fuel supply agreement with Gas Authority of India (Gail). for example, is still full of holes. One G-Tec expert summarises it as "we will supply gas if it is there at whatever pressure we like." Mr Grove-White counters: "If you want gas in India. there is a standard supply contract - we had to get comfortable with that."

He says it was not possible to always insist on "internationally bankable . contracts." instead, the plant was designed to also run on naphtha, delivered by rail, in the event that gas was unavailable – providing an alternative source of fuel, "Without naphtha I do not think we would have invested in this project," he says.

G-Tec's lenders - a consortium of Indian banks and German lenders

payment guarantees from Indian financial institutions - were willing to accept the terms on offer lending a total of Rs17.3bn. The only difficulty was

metting all the banks to agree to the same lending terms - a process which took several months. "This would only work in an Indian-financed context," says Mr

Grove-White, "The bronicthing is that a counter-guarantee [from india's central government was once seen as the holy grall because itigave access to international finance but that has turned out to be a mixed blessing.

"International finance means fuel contracts, transport contracts, have to . be to international bankable standards." While this remains nigh on impossible, he says "the. .. Indian solution is the quickest".

All three private sector partners are now looking at further power projects. Torrent says it would "consider the fuel scenario and the overall objectives of the group." Powergen and Siemens, meanwhile, are working on a 578MW coal-fired plant at Bins, hi Madhya Pradesh, in which Powergen holds a 49 per cent stake and India's A V Birla group the remaining

BERLIN

William State of the State of t

fulet gen Frugen

-3/- Son Congressed by 2.15.0

en Cherry

51 per cent equity. The Bina power station will be India's first private sector coal-fired plant drawing on the Birls group's expertise in 😹 managing coal supplies. "The key is the rail and coal contracts - it is a single fuel power station and we have no alternative way of firing that plant? says Mr Grove-White

Krishna Guha



The expanding appeal of Americana

The new year bidding in the US is giving Sotheby's and Christie's much to crow about, as Antony Thorncroft explains

Tine art auctioneers rouse slowly from mid-winter break. They have had plenty to muli over during this off-season. Christie's is still considering a take-over bid from SBC Warburg, and the offer has certainly galvanised its working practices - last week it ounced it was shedding

Sotheby's has been overtaken in size - but not in profitability - by Christie's in the past year. It has been considering how to regain pole position and has decided honesty is the best policy. After last year's unwelcome publicity about conniving in smuggled works of art, in future it will not accept any goods for sale, particularly doubtful provenance. Behind the background politics, there is the

saleroom. As usual the first big auctions of the year took place in New York last week, where the finest collection of Americana offered for many years came under the hammer. The prices paid, and the records set, suggest that the American love affair with their homeland continues at a most passionate level.

Americana - works of art and craft produced in the US (the earlier the better) - is exclusively a US collecting obsession. It leads to some weird transactions, and reflects the wealth of the nation. Where else would a copper and zinc weathervane, produced for some Massachusetts farm around 1860, sell for \$770,000? Or a quilt, embroidered in New York at roughly the same time, make \$264,000?

These prices were paid around 1990, at the time of the first great art market

boom, and only exceptional objects would raise such values today. Indeed the only weak sector of a strong market is folk art, in furniture. particular folk portraits. Today's buyers are more

serious, seeking more traditional antiques, like furniture and silver. But their enthusiasm is just as strong, as last week's underlined. Equally strong is the American reverence for their great heroes ~ last month a signed letter by Abraham Lincoln sold for \$142,500 Both Christie's and

Sotheby's had much to crow about from their first auctions of the new year. On Friday alone Christie's brought in \$13.5m (£8.2m), nearly double its expectations. A chest of drawers, plus matching dressing table and side chair, made in Philadelphia around 1770 by Thomas

Affleck for the merchant Levi Hollingsworth, sold for \$2.9m, a record for a Philadelphia suite of

In the UK only an exceptional group of furniture by Chippendale destined for an aristocratic mansion would command such a price. But the suite is famous and comes from a museum, the Chipstone Foundation in Milwaukee: unlike British museums, US museums are quite happy to raise money to buy new acquisitions by cashing in

John Hays, who heads Christie's American forniture department, had estimated the mits at \$1.5m-\$2m, but a flood of new bidders, many of them quite young, took him by surprise. It was a new collector who acquired the suite. "We are delighted by the results," Mr Hays says. And such high prices will

draw out other good items for the June auction

Christie's also managed a record for American silver when a tazza made by Henry Pratt in Philadelphia around 1730 sold for \$453,500, against a \$50,000

t Sotheby's the highlight last week was the dispersal of almost 600 pieces collected by the late Stanley Paul Sax, who made his money producing polishing compounds for metal products, and for 30 years spent much of it buying Americana. The quality and provenance of his purchases led to some frenzied bidding in a packed saleroom. The auction brought in

\$10.56m, with virtually every lot finding a buyer. The top price was the \$1.2m paid for a Chippendale chest of drawers and dressing table, attributed to Bernard

& Jugiez, who, working in Philadelphia in the 1760s. made furniture to

Chippendale's designs. Four very simple early chairs, attributed to John Weich, who traded in Boston around 1735, made the astonishing price of \$967,000. A tall case clock made in Philadelphia in 1765 by Jacob Godshall; set a record for an American

clock, selling for \$442,500. Sax bought with the advice of the New York American dealer Israel Sack Inc. Sack was also a buyer on Sunday when, in a mixed owner sale, it paid \$531,000 for a games table made in Boston around 1795, which was labelled John Seymour. It is one of only six known tables carrying the Seymour

It had been bought in a boot sale 30 years ago by a retired teacher for \$25. Last September she took it to Chubbs Antiques Roadshow in Syracuse New Jersey where it featured on the popular American TV programme Antiques Roadshow. It was recognised, valued and quickly sold. The pioneering BBC Antiques Roadshore has

never produced such a

Another Roadshou

lucrative find.

discovery - a portrait of an unknown man by Sheldon Peck, which turned up in Nashville - sold for \$79,500 to the dealer Wayne Pritt. The unearthing of such valuables suggests that there is plenty of Americana ont there waiting to be uncovered. More and more rich Americans feel it is their patriotic duty to pay amazing prices for common objects, minted in early

America. Among the new specialist auction records that Sotheby's claimed last week involved a neo-classical white marble fireplace

surround, made around 1798, which sold for \$222,500, against a \$10,000 estimate, Also, \$173,000 was candle stand, made in Philadelphia around 1770, which was expected to go

for less than \$30,000. The auction house was even bold enough to post a record for a New England armchair, when a Connecticut example of 1785, in cherrywood, quadrupled its forecast at \$266,500.

It is not just patriotism that delivered these prices: the strength of the US economy is producing enough surplus wealth to drive up antique prices. This bodes well for New York's increasingly dominant position in the international art market. This should be confirmed next week when Sotheby's and Christie's sell top Old Master paintings

a grant of the

3. 83m²7 (510)

August 1

PER STATE

理学院ではなった。

WAR ALL

NEWS OF

海 车

-

理解的である。

A PASSING .

148

are now.

Salar Sa

MOTA "

調等があ

逐 整个

metally the !!

September 1985 Cont.

THE PARTY OF

医

A COL

-

医神经 医二

The same of

to the T

· نظری

CANAL TO AN A

TEDMINDAY JANUARY

s somebody enjoying a subtle in joke? The visual motif of the Royal Opera's new production of Le nozze di Figaro is an architect's plan of the Almaviva family villa, which from one angle looks suspiciously like a certain operahouse project down the road. Presumably the company

everyday action in the

found that its existing production of Mozart's opera did not fit the stage at the Shaftesbury Theatre and so a new one had to be rustled up quickly (the off-stage chorus of tut-tutting belongs to Gerald Kaulmann and his House of Commons Select Committee). Patrick Young, a Royal Opera staff producer, was brought in to do the job. Designs are by Roger Butlin and lighting (evocative on limited resources) by Paul Pyant.

How much they were given to work on - both regards to money and time ~ looks doubtful. The budget has bought a not-unstylish single set, which is after all unlikely to be used again beyond these performances if, indeed, it lasts that long. One push on the wobbly back wall and the entire villa could collapse into the

garden. Everything is black and white, enlivened occasionally by those off-white shades that interior designers like to call "a hint of peach" or "avocado white".

100

.....

about the whole evening. Young is fond of treating the ment so that they hit a neat tableau at the end of each scene - and it whiles away the time to see how far in advance one can spot the next one coming.

though waiting for the promove from the wings vainly in the case of poor Susanna, who waited an age for one cue (breaking glass certainly has a good cast.
outside the window) which The star is Dmitry Hvoresnever came.

There was rather a lot of as an over-sexed young pup have seen.

that. In a Whitehall style who has inherited the family

At the h that. In a Whitehall-style who has inherited the family At the heart of the great In Nuccia Focile the profere (of which Figure is a state at an early age and is very up-market variety) it is now absolutely full of himman moment when he convinces averything going for her. Gwynne licwell a nicely day, will show them how.



Opera/Richard Fairman

What a marriage in 'Figaro'

deal of through thought as are not seen. Here they that burns up every female to character or situation. In would pop out and - blow on the stage. Women in the between their lines the sing- me down - another charac- audience are advised against ters tend to go blank, as ter would spot them every sitting in the front row in though waiting for the producer to call out their next duction will come together singed. Once into the drama, The star is Dmitry Hvoros-

Whatever his passing per-ceptions, there is not a great behind doors, chairs or trees per gives off a sexual heat with more practice, more he reveals a latent viciousworking together, and a ness to the character that is sharper eye for comedy. It quite frightening. And he sings the music magnificently. Hvorostovsky is - in tovsky, who plays the Count a word - the best Count 1

cool, concentrating on singsound outte even, or perhaps finished, but it has a freeimpressively. Dagmar Pecková's Cherubino also does well in her two arias, singing with feeling and intensity.

be). Gillian Webster's Count- does not take charge of the ess responds by remaining opera as strongly as she might. Neal Davies's deciing her part as beautifully as sive and straightforward Figshe can. The voice does not aro marks another step forwards in his career, but he needs to put a stop to the dom that allows it to sail out ugly habit of singing out of the side of his mouth. If his upper lip curls round any further, it will be in danger

of swallowing his left ear.

you the Count really could pretty Italian features, bags ineffectual Bartolo, Yvonne kill his wife (what a marriage this could turn out to and crisp words, though she usual Marcellina, Robin Leggate not waspish enough as Rasilio - and the young American conductor Steven Sloane kept everybody exactly in place from the pit. If only the trim playing and well-judged speeds could smile a little more, too. Everybody in this Figuro needs to relax and enjoy themselves. Perhaps the sec-There is a decent trio of ond cast, taking alternate performances from ThursConcert

Carter clarinet concerto a tour de force

o, Elliott Carter is not yet 90, but a December birthday is the best way to guarantee a year-long celebration. The ondon Sinfonietta raised the curtain at the Queen Elizabeth Hall on Monday with the UK premiere of bls Clarinet Concerto, and Carter was there to hear it and give a talk beforehand. He moves more slowly these days, but his wit, gentlemanly modesty and reluctance to explain himself have not withered with age. We didn't need the question-and-answer session

with fellow composer George Benjamin to learn that, It's all there in the music. First performed by Alain Damiens and the Ensemble interContemporain last January in Paris (when it was welcomed on this page by David Murray), the concerto dazzles on first source of endless fascination. The sooner it gets out of the contemporary music ghetlo, the better and that's not something I would say of every Carter

The concerto will be lucky to find a soloist as charismatic as Michael Collins, whose performance shared the breathtakingly stamina, conviction, passionate eloquence - that distinguished Heinz Holliger's playing of the no less demanding Oboe Concerto a decade ago. This latest work is marginally shorter, but the landscape is just as diverse and the signposts equally clear.

What impresses is its Gallic fluency, its classical shapeliness and sense of physical space - all of which have the listener feeding out

of the soloist's hand. The clarinet turns out to be something of a Pied Piper. leading off each instrumental group in six sections, linked by short bluesy feel to the dialogue with brass, a racy whirl with fellow woodwinds and a reverie of the utmost. tenderness with five string instruments. The musical argument then dissolves into Webern-like fragments, before a quizzical ending

hether or not the concerto adds to his reputation as the world's "greatest living composer", an unhelpful accolade bandled about by Carter cognoscenti, it finds him less intellectually intimidating, less musically labyrinthine than before and much more lyrically charged. That impression may have had something do with Collins's relaxed confidence, which underlined the visionary imagination of the piece over and above its tightrope technical demands. After this tour de force, the

Double Concerto (1961), a Sinfonietta party-piece, sounded rambling in discourse, denser and more obviously constructed. Both works dwarfed the preceding 70th and 80th tributes to Carter from Lutoslawski. Babbitt and Oliver Knussen, who conducted everything with indefatigable zeal, and whose Coursing came closest to realising the Carter-esque conflict between order and chaos.

Andrew Clark

The concert is broadcast on BBC Radio 3 tonight.

INTERNATIONAL **ARTS**

BERLIN

CONCERTS Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by Mariss Jansons in works by Chausson and Strauss; Jan 23, 24, 25

DANCE Staatsoper unter den Linden Tel: 49-30-2035 4555 www.stantsoper-berlin.org Swan Lake: new staging by Patrice Bart, with designs by Luisa Spinatelli, Jan 23

CHICAGO CONCERTS Orchestra Hall Tel: 1-312-294-3000 www.chicagosymphony.org Chicago Symphony Orchestra: world premiere of Sir Harrison Birtwistle's Exody, conducted by William Edeins. The programme is completed by Beethoven's Violin Concerto in D Major, with soloist Itzhak Periman;

Jan 24

LONDON CONCERTS Barbican Hail Tel: 44-171-638 8891 London Symphony Orchestra: Shell LSO 21st Anniversary Concert Conducted by Elger Howarth In works by Mendelssofin, Jacobs, Cashian and Britten; Jan 21

Queen Elizabeth Hall Tel: 44-171-960 4242 London Sinfonietta: 30th Birthday Benefit Gala. Including two world premieres, and John Tavener's The Whale. Markus Stenz conducts; Jan 24

St. John's Smith Square Tel: 44-171-222 1061 Adrianne Pieczonka: recital by the soprano of songs by Strauss. Zemlinsky, Tchalkovsky and Barber, Jan 27

EXHIBITIONS **Barbican Art Gallery** Tel: 44-171-638 8891 Shaker: The Art of Craftsmanship. First major exhibition of furniture and decorative arts from one of the most influential Shaker communities, Mount Lebanon. The show traces the origins of the Shaker movement from its origins in late 18th century England through its development in 19th century America to what became a philosophy and a way of life; from Jan 22 to Apr 26 The Art of the Harley: 30 customised motorcycles provide

the centrepiece of this display devoted to the 95 year history of the Harley-Davidson company; from Jan 22 to Apr 26

Royal Academy of Arts Tel: 44-171-439 7438 Art Treasures of England: The Regional Collections. Display of some 500 paintings, drawings and sculptures which will tell the history of the public collections outside London, from the foundation of the first university museums in the 17th century to the present, including works by Canaletto, Hogarth, Tumer and Francis Bacon, the exhibition will also seek to surprise with the from Jan 22 to Apr 13

Barbican Hall Tel: 44-171-638 8891 Nixon in China: the UK premiere of Adams' opera is the opening concert of the "Inventing America" festival. Kent Nagano conducts the London Symphony Orchestra: Jan 25

LOS ANGELES **Dorothy Chandler Pavilion** Tel: 1-213-365 3500 Los Angeles Philharmonic: conducted by Franz Weiser-Most in works by Mozart and Bruckner; Jan 22, 23, 25

L. A. Opera, Dorothy Chandler Pavilion Tel: 1-213-972 8001 SOIOIST ITZITEIK FERTITIESE N www.laopera.org

Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 21,

MADRID ECHIBITIONS Fundació "la Caixa" Tel: 34-1-435 4833 Joaquim Mir, 1873-1940: A Life's Journey, Retrospective of around 140 works by the landscape painter, to Jan 25

CONCERTS Bridgewater Hal Tel: 44-161-907 9000 BBC Philharmonic: conducted by Sir Edward Downes in Respighi's The Pines of Rome and Shostakovich's Leningrad Symphony; Jan 24 Bournemouth Symphony Orchestra: conducted by Yakov

Kreizberg in Mahler's Symphony No. 2; Jan 25

■ MANCHESTER

MILAN OPERA Teatro alla Scala Tel: 39-2-88791 il Cappello di Paglia di Firenze: by Rota, Conducted by Bruno Campanella in a staging by Pier

MUNICH Bayerische Staatsoper Tel: 49-89-2185 1920

Luigi Pizzi; Jan 23, 24

Anna Bolena: by Donizetti. Ralf Weikert conducts a staging by Jonathan Miller. Edita Gruberova sings the title role; Jan 21, 24

NEW YORK CONCERTS Avery Fisher Hall, Lincoln Center

Tel: 1-212-8755030 Israel Philharmonic: conducted by Kurt Masur in Beethoven's Symphony No. 9; Jan 21

 New York Philharmonic: world premiere of Zorn's Orchestra Variations, conducted by Leonard Slatkin. Programme also includes works by Schuman, Schwantner and Copland. With percussionist Christopher Lamb; Jan 22

New York City Ballet, New York State Theater Tel: 1-212-870 5570 Jewels: by Balanchine, to music by Fauré, Stravinsky and Tchaikovsky; Jan 24

EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org John La Farge: more than 30 paintings and stained glass windows by the 19th century American: to Jan 25

Metropolitan Opera, Lincoln Center Tel; 1-212-362 6000

 Capriccio: by R. Strauss. New production by John Cox, with

sets by Mauro Pagano; Jan 21 La Cenerentola: by Rossini. New production by Cesare Lievi conducted by Levine; Jan 24

PARIS CONCERTS Salle Pleyel Tel: 33-1-4561 6589

Orchestre de Paris: conducted by Gilbert Varga in works by Strauss, Kancheli and Dvorák. With cellist Mstislav Rostropovich; Jan 21, 22 OPERA

Opéra National de Paris, Opéra Tel: 33-1-4473 1300 Tosca: by Puccini. Conducted by Jan Latham-Koenig in a staging

by Walter Schroeter, Maria Guleghina sings the title role; ROME

OPERA Teatro dell' Opera Tel: 39-6-481601 www.themix.it Le Nozze di Figaro: by Mozart. Production for the Testro Comunate in Florence by Jonathan Miller. Conducted by Hans Graf; Jan 22, 24, 25, 27

SAN FRANCISCO

CONCERTS Davies Symphony Hali Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony

Orchestra: conducted by Yan Pascal Tortelier in works by Brahms. Dutilleux and Ravel-Tortelier, Jan 22, 23, 24

TORONTO OPERA

Canadian Opera Company, Hummingbird Centre Tel: 1-416-363 6671 Hansel and Gretel: by Humperdinck. New production, previously seen in the US, designed by Maurice Sendak and directed by Frank Corsaro. The conductor is Randali Behr, Jan

TV AND RADIO

 WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Mark Gay of FTTV reports live from LIFFE as the London market opens.



Lionel Barber

EU job jugglers

European commissioners should focus on their Brussels job and not use it as a stepping stone to greater things

ves-Thibault de pean commissioner monetary this week announced he was no longer a candidate for political office in France. The prospect of Mr de Silguy stomoing around Brittany in search of votes in the French regional elections never appealed to his colleagues. Most assumed he would be otherwise engaged in March preparing for the launch of the single cur-

More questionable was whether - in the event of a Gaullist victory - he would have been able to keep his Brussels job and build up an independent fleidom as president of Brittany council reporting to Jacques Chirac, the president. Now that Mr de Silguy bas withdrawn his candidacy, we will never know the answer.

It is tempting to dismiss this affair as a footnote in the annals of the Commission, a familiar tale of personal ambition overriding good judgment. That would be wrong. The story raises a point of principle: whose interests are European commissioners serving?

Those sympathetic to Mr de Silguy cast him as a victim of a misunderstanding. Dual mandates are standard practice in a centralised country such as France. Alain Juppė, former prime minister, served as mayor of Bordeaux. Dominique Strauss-Kahn, the telegenic Socialist finance minister, is being pushed to run in the Paris regional elections. Mr de Silguy, a career bureaucrat, was merely following a tradition of politicians seeking to stay in touch with the

grassroots. The argument ignores the fact that France is slowly decentralising, that the regions are increasingly important power bases, and that Lionel Jospin, the prime minister, is trying to restrict the cumul des man-

ple mandates are symptomatic of the French elite's belief that it can fit three jobs into a 20-hour day and still have time for a game of pétanque before lunch.

The case for a European commissioner holding two jobs is still harder to sustain. The European Union treaty states that the 20 members of the Commission other occupation, whether gainful or not. The French version is slightly more ambiguous, referring merely to "professional activity". But the spirit of the text is clear: the Commission's independence is paramount.

In practice, matters are not so clear cut. Commissioners do pursue extracurricular activities. Hans van den Broek, a former Dutch foreign minister who now handles relations with eastern Europe and Russia. has a standing invitation to return to The Hague to attend high-level discussions on Europe.

Mario Monti, who is responsible for the internal market, is president of Bocconi University in Milan more than a ceremonial post. Edith Cresson, the second French commissioner. served as mayor of the small town of Chatellerault The trouble

commissioners who have too much time on their hands or too little power to achieve very much

starts with

Silguy, the Euro- has some sympathy with 1995 just after Commission in the Great Lakes area in the public's view that multi- President Jacques Santer Africa. took office. But then not everyone finds it easy to say "Non" to Mrs Cresson, She finally resigned as mayor late last vear.

European commissioners: can never stand completely above the fray. Nor should they. They owe their appointments to national governments. Their contacts with national capitals may not engage in any are important. A talented commissioner can convey unpleasant truths both at home and in Brussels.

When vital national interests are at stake, Brussels commissioners snap to attention. On British beef. the Flemish language. French textiles or German worries over pensions portability, the Commission on predictably national lines. Commissioners must rec-

oncile their roles as bureaucrats, diplomats and politicians all rolled into one. Some are more successful than others. Karel Van Miert, the Belgian competition commissioner, pulled off the balancing act brilliantly last summer when he challenged the Boeing-McDonnell Douglas megamerger and forced a partial retreat in Seattle and Washington. Sir Leon Brittan has ieft an indelible mark during a near 10-year career in Brussels, latterly as crusader for an open world trading system.

Those commissioners who master a technical brief and build a pan-European coalition are invariably the ones who do best. Those who enjoy powers under the treaties are arguably better placed to promote the colective European interest. But others, such as Emma Bonino, the media darling in charge of humanitarian aid, can appeal to a collective European conscience especially when she drags the television cameras into Talaban territory in Afghan-

dats. Mr Jospin apparently and sought re-election in istan or the refugee camps

The trouble starts with commissioners who have too much time on their hands or too little power to achieve very much. Some spend their days travelling to faraway places where they act like colonial emissaries from the 19th century. At least one works on his golf handicap.

No one could accuse Mr de Silguy of lacking energy. By his own calculations, he made 60 trips outside Brussels last year, racking up 120 speeches on European economic and monetary union. He works long hours in Brussels, drives his staff hard, and is a tireless champion of the euro.

Along with Mr Santer, he can claim the credit for the 1995 green paper which set the framework for the introduction of the single currency between 1999 and 2000. But his hard-charging style has been less success ful in building a role for the Commission in the post-Emu world, specifically in the search for a permanent place in the Group of Seven forum when the debate

turns to monetary matters. Mr de Silguy has never made a secret that he sees his present post as a stepping stone to greater things. He arrived in Brussels proclaiming that his five-year term was part of a bigger plan. So when a delegation of Bretons sought to persuade him late last year that he should run in the regional elections, he

iumped at the chance. it took a gentle warning from Mr Santer and some public threats from the European parliament to dissuade him from launching a parallel political career in France. If he had only paused to reflect, he would have understood that his Brussels job is about more than being a mere bureaucrat. It requires political skills, too.

·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HI.

We are keen to encourage letters from readers around the world Letters may be faced to 444 Let \$73.5938 picture to fine), e-mail: letters editor@it.com Published letters are also available on the FT web site tange (sewe-FI com

Translation may be available for letters written hit the main international languages. **R&D** is now

US government has given Emu an unequivocal welcome

From Mr Michael Elliott Sir, It seems to have become an article of faith for your otherwise excellent columnists Lionel Barber and, now, Philip Stephens ("Intellectual gulf", January 19), that US opinion is either ignorant of European economic and monetary union or opposed to it. They must visit a country other than

the one I live it. For more than a year, the US government's public policy and private conviction has been to welcome Emu unequivocally. (Indeed, the deputy secretary of the treasury said so in your own pages.) Opinion-formers in Washington and New York have been intimately acquainted with developments on Emu since the

Maastricht treaty; newspapers like the New York Times and Wall Street Journal (which has become an important champion of Emu) write about it regularly, as do the weekly magazines. The denizens of Wall Street are as likely to bore a dinner party with Smu talk as are those of the City, though in my experience - with a better sense of the political realities. At last year's Davos World Economic Forum, I remember American businessmen foregoing sessions with Newt Gingrich to catch the latest Emu

news, and I find it hard to think that this year's conference will be any different. Where Mr Stephens is right is in his implication

not much bothered by whether or not Emu will affect US "leadership" in the post-cold war world. That is partly, I think, because many Americans would find it quite useful to share the burden of having a reserve currency. But it is mainly because Americans - when they think about it all assume that their leadership has little to do with the status of the dollar, and everything to do with their technological edge, entrepreneurship, and unrivalled ability to project military power. They're right, too.

Michael Elliott, editor. Newsweek International 251, W 57th St.

central to job creation From Mr Georges Haour. Sir, Your article "The fifth

San San San

WEIP

land

44.4

- 4: 大 4 集事

of the bridge

对

2 TE

Table 1

The State of the S

element" (January 15) on the EUR fifth R&D programme provides useful insights into its management and budget, which, by the way, roughly represents only 3 per cent of the R&D investments, private or public, made every year by the 15 countries of the European Union. Rather than concentrating on inputs, however, I wish to underline two aspects of the quality of outcome...

First, the framework programmes have powerfully catalysed the emergence of a truly borderless R&D community. In particular, in the last 10 years, academics ** have rapidly grown to know their peers much better in other countries, drawing on Europe's unique richness of diversity. The fact that Switzerland is so keen to be part of this process is a testimony to this fact,

Second, the fifth programme has been prepared in the context of the EU Commission's "Green book on innovation". Such a dynamic powerfully reinforces the message that R&D investments must be envisaged as the central ingredient for wealth- and job-creation. It is vital that European taxpayers and members of the funded projects fully realise this further shift away from capability-building towards technological innovation for

Georges Haour, professor of technology IMD-International Institute for Management Develop-

growth.

New York NY 10019, US that US policymakers are EU helping banana producers adapt

From Mr Philip Lowe. Sir, Your leader, "Banana fudge by Brussels" (January 16), concerning the European Commission's proposal to modify the European Union's banana import regime, accuses the EU of having failed to assist the Caribbean banana producers in improving their efficiency.

In fact, since the existing banana import regime was has allocated financial assistance totalling Ecu220m (£146m) to traditional African, Caribbean and Pacific (ACP) banana suppliers.

Of this amount, more than Ecu150m has been made available to the Windward Islands (Dominica, Grenada St Lucia, St Vincent), which are particularly dependent on bunguas and where geographical and climatic conditions render competitive banana production diffi-

This assistance is being directed into three main areas; restructuring of the industry to improve productivity and quality, economic diversification to promote alternative sources of income and employment: social and community development programmes through education and new skills development.

The amendments to the banana import regime now proposed by the Commission are intended to bring it into line with the EU's commitments under the World Trade Organisation. At the same time, we must also respect our commitments to the ACP countries under the

Lome Convention. The proposal to establish a special framework of technical and financial assistance is intended to fulfil this com-

mitment and proposes a further Ecu45m a year in aid over the next five years and a total of about Ecu370m over 10 years.

Given the genuine difficulty of implementing programmes on the ground to absorb these amounts, it is misleading to describe, as you do, these various schemes for EU aid to the banana producing countries as "miserly".

Rather, our proposals dem onstrate that, as in the past, the EU will continue to support ACP banana producers' efforts to adapt to new market conditions.

Philip Lowe, director-general. European Commission, Directorate-General VIII. Rue de la Loi 200, B-1049 Brussels, Belgium

Switzerland

Software Winner



teams in Formula One history. Since 1966, McLaren has won seven Constructor's World Championships, nine Driver's World Championships and more than 100 Grands Prix. Not in mention three inclananolis 500 wins, the LeWans 24 hour endurance race and five consecutive Can-Am sports car titles.

"To win consistently, you have to have the best. That's why we've teamed up with Computer Associates," says Ron Dennis, Managing Director for McLaren International Processing our engine and race data efficiently and intelligently is crucial and CA is helping us approach it in an entirely new manner."

Under a technology partnership. the West McLaren Mercedes Formula One Team and CA are developing an innovative new solution that gives the racing team's engineers the abitity to easily assess and analyze the Formula car's performance data.

Bult around CA's Unicenter's ING", the program can monitor the telemetry data that the race car ransmits to the pils while it's racing. Everything from throttle response to brake pressure to even the G-forces exerted on a driver. TNG then displays the data through it's awardwinning 3-D. Real World Interface -.

"I have a favorite saying, that is, to come in second is to be the first of the losers," says Flori Dennis, "At McLaren we're interested only In winning and we associate ouralves only with winning companies. With Computer Associates and McLaren, we have two winning companies sharing a common goal and common partnership."

Agriculture too important a ministry to be abolished fringe of agriculture - I pronation's food is too impor-

From Mr J. G. Cousins. Sir, Your excellent leader "A safe plan for food" (January 15) was completely spoilt by the preposterous suggestion in the final sentence and the remains of the Mic

istry of Agriculture, Fish-

eries and Food should be

duce a small amount of wool and sheep meat and free range eggs (fowl, duck and goose) - and I would prefer to leave it to others better case for MAFF. May I just make three points: closed down. I am but on the • The production of the

tant to be left purely to mar-

ket forces - a point ably made by David Richardson. your erstwhile agriculture correspondent: No government in to

western world, as far as I am aware, is devoid of a ministry of agriculture;

 I have received tremendous help and support from MAFF in my efforts to improve the environment on my few acres.

J. G. COURT "Downlands". Small Dole, Henfield. West Sussex BN5 9XH, UK

Personal View · E. Wayne Nafziger

Root of human suffering

Poverty and poor government are the main causes of humanitarian disasters



Every month stories atrocities in countries such

Afgbanistan, Bosnia. Burundi, Congo and Rwanda. The perception that there are more such disasters than there used to be is correct. Since 1990, the number of humanitarian emergencies - identified by deaths and refugees from internal conflict - has increased from 20-25 a year to about 65-70. The number of people affected has risen several fold to more than a million

These increases have not been affected by just one or two speciacular events, such as the wars in Bosnia or Rwanda. In 1997, when the violence of both those events had ebbed, thousands of people still died from war, genocide, hunger and disease, and millions became refugues. The same, it seems almost certain, will be true in 1998.

Is it possible to prevent this scourge? In the short term, refugee aid serves as bandaid. But, according to our research at the UN University, in the longer run, there are cheaper strategies to reduce the risk of humanitarian disasters.

Our work, conducted by 42 scholars, used an econometric analysis of 124 developing countries over the past 16 years, combined with casestudy evidence from 15 countries. The aim was to examine the sources of humanitarian emergencies.

Many people believe that humanitarian disasters are ethnically determined, arising from differences of language, race, tribe or national origin between disputants. These differences, it is thought, are so deeply rooted

JPY100150

reform: violence cannot be avoided. That is too pessi-

mistic a conclusion. Our research focuses on the contribution to humanitarian crises of two factors: national income and the role of the government. Both provide some reasons for modest optimism, or at least subjects for action.

It is obvious that wealth makes a huge difference, if not to whether ethnic differences exist, but to the extent of the problems they cause. Canada and Spain both contain minority language regions but, despite political conflicts, neither Quebec nor the Basque country have tipped into humanitarian aster. Nor has Northern Ireland, despite a high level of violence. Wealthy countries rarely experience

humanitarian disaster. This connection between income and disaster- Rwanda, where the then govavoidance is not something that occurs only in industrial economies. Our research shows that among the 124 developing countries a doubling of income per person decreases the probability of a humanitarian crisis by 13 per cent. Obviously, there are exceptions: Sri Lanka is a relatively prosperous country blighted by civil war. The same is true of the former Yugoslavia. But, by and large, the con-

nection holds and the reason Often, the problem comes not from an aggressive government but from rival

governing groups struggling for scarce resources

that they are not amenable seems to be that the poorest to economic and political countries are blighted by macro-economic instability, rapid inflation and large income differentials. These produce feelings of relative deprivation and crises of unfulfilled expectations, which can be channelled into ethnic violence. This is particularly associated with countries which are not merely poor but which have experienced protracted economic decline (especially of food output). More than half

the countries experiencing emergencies in the 1990s had a decline in average incomes in the 1980s. All these provide further reasons for seeking economic growth and stability. The second lesson from our research concerns the government. Humanitarian

emergencies are caused mostly by the actions of the state and only rarely by insurgents. This was true in ernment organised, and used the media to publicise, genocide. It was also the case in the former Yugoslavia. Governments tend to act in this way when the economy is declining. This reduces the number of their allies, undermining their power and increasing the probability of political instability. To forestall such threats, ruling elites often use political violence to steal an even larger share of the population's income. A particularly clear example was Sudan in the 1980s, when the government directed violence against the politically disobedient Dinka

and Nuer tribes. Often, the problem comes not from an aggressive government but from the struggle between rival governing groups for scarce resources, such as education or revenue allocation. Examples include the struggle for oil revenues and employment in government in Nigeria in the 1960s, and the conflict between Hutu and Tutsi for. the control of the state and access to employment in Burundi and Rwanda.

These two factors - pov-

seems to be that the poorest erty and governmental action - explain why Africa has suffered more than its share of humanitarian disasters since 1980. African political leaders faced increasing pressure from declining income. External pressure by the World Bank, International Monetary Fund and western donors to cut the size of the state in order to encourage economic stability in practice triggered increased competition for governmental resources and ended up contributing to

greater instability.
An analysis of the root causes of humanitarian crises indicates that the mechanisms for preventing them are primarily macroeconomic. Prevention requires greater international support for income stabilisation and adjustment planned by the developing countries themselves, a reduction in trade barriers against Africa and Asia, compensatory financing to cushion external economic shocks, and rescheduling and writing down the debt of poor countries. It would also help to reduce the international trade in arms, which

are used by governments to kill their rivals. For their part, lowincome countries need to provide safety nets for the education, emphasise agricultural development, and improve the capacity of the state to collect taxes and provide services. All these things are worth doing for other reasons. But reducing humanitarian emergencies would be a great side benefit. Unless it is done, the world will continue to spend vast sums on food aid, peacekeeping and diplomacy to cope with humanitarian emergencies.

The author is a senior research fellow and codirector of research on the UN University's World Institute for Development Economics Research in Hei-

The second secon 120856 Tiay. 100 mgg Her # The English State

And the state of the state of

on Parra

17 are.

4.2

್ಯ ಅಭಿನಾ

ं असाह

- 481 pw/g

In the

Control of the Contro

the Park

17 carst 18

. 3

77.55

ार भागाति **स्त**्री

12 36 25 ~ Xugle the section with de la companya de la the the Party Party Germania 1913. E. Paris the fam to the said 85 sher the

The state of

San Personal Cabina. Contract Course Sale & Chipping Best and Fund China Call State

That. RANGE OF STREET her the first many IT.SISTING

The state of the s

William College Colleg

mu R&D is h

job creat

2.15

6540

\$30 July China ...

4.05

 $3 + \frac{1}{2} \delta_{1} a^{2} = 0$

1374

27 - 10

1900

Section 1

State 1

\$ A .

- L-

 $\rho \in \mathcal{N}$

158

12-21

, / L & 2-17-

A Section 1

1547 T.

李 ""

, , --

(s. s= · ·

*** . . .

-1777 11 - 17

FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Wednesday January 21 1998

Euro-voice in finance

stay-at-home European counterparts become jealous. US policymakers respond by complaining that Europe's failure to speak with one voice makes closer co-operation infeasible. An obvious question is whether the euro will make much of a differcould - but will not do so auto-

The Asian crisis has once roles played by the US, as leader, and the International Monetary Fund, as chief agent, with others reduced to paying the cheques. US leadership is usually essential and often sensible, but its dominance creates understandable frustration. The opportunity for Europe to

play a bigger role would appear to be given by economic and monetary union. Members of the euro area will be represented by a single European Central Bank. Thus, in global monetary affairs it may soon be possible to talk of a group of three, with all other central banks being marginal players. The difficulty lies where

national finance ministers continue to hold sway. Here there are two broad categories of issues: those closely related to the euro, such as the exchange rate, and those where policy will remain largely national,

When US Treasury officials bers of the euro-zone. Ther journey around Asia, their someone representing the new committee of euro finance ministers should present it. That spokesman need not be - probably should not be - a representative of the European Union's six-month presidency.

Where policy is subject to national responsibility, it will ence. The answer is that it still be necessary for countries whose policies have considerable international impact to participate individually in global again demonstrated the central discussions. Over time, however, it may be possible to agree these policies, too. In that case it will, once again, be possible for a single representative of the euro finance ministers to pres-

> Yet this shift towards collective representation need not make the process of global coordination much simpler. It should be simpler where the central bank alone is concerned, since it is a single body. But it will not be in virtually every other policy area, since Europeans will be increasingly committed to a two-stage pegotiation, first among themselves and then with counterparts abroad. To become more effective, Europeans will have to

streamline internal discussions. Yet the aim must be not just to give Europe a louder voice in the world, but one worth listening to. The creation of the euro will not of itself give Europeans a wiser perspective on the Common policies will have to world. But it should give them

After Castro

Pope John Paul II to Fidel Castro's Cuba brings together two of the great icons of the late 20th century. Yet the meeting of the two septuagenarians offers more than symbolism; it is an important opportunity to create a bridge to Cuba's future.

That future will, sooner or later, be one without Fidel Castro. Yet nobody has any idea what sort of future it will be. In the worst case, the island will be riven by violent struggle. It is in Cuba's interest and that of its neighbours - including the US - that this does not happen.

It is also in Mr Castro's interest for he must want to preserve the gains of his revolution. These - for example, in healthcare and in education have come at a heavy cost in personal liberty, and they are tainted by the economic privation of the past eight years. But they are gains all the same.

Few men have the moral and intellectual stature to engage Mr Castro about what happens when he goes. Perhaps the frail pontiff - no friend of unbridled capitalism in spite of his antipathy to communism - is the only person who can, and in the process begin mediation with the US.

The opportunity for accommodation with Washington may have grown with the death late last year of the powerful leader of the hardline US exile opposition to Cuba, Jorge Mas Canoss This leaves scope for a gesture towards Cuba by President Bill Clinton. He has freedom to act in any case because he faces no further elections. A more mature debate than has yet been possible in the US about American interests in Cuba can thus begin.

There have been some modest signs of willingness in Washington to ease the US embargo on Cuba for medical supplies, for example. This would help many ordinary Cubans who have suffered most from the deep economic recession caused by the collapse of the Soviet Union. Cuba's financial sponsor for 30

Cuba's economy has revived somewhat since the trough of 1993-94, but not by much. Mr Castro is dreaming if he believes that conditions are in place for any significant improvement in the island's economic fortunes.

A process of engagement between the US and Cuba would be unlikely to yield rapid results and would require a genuine desire on both sides to find a solution. Mr Castro may prefer to ignore the question of what happens after he goes and enjoy the cheap but transitory propaganda benefits that the Pope's visit will generate. But if he does, he may miss an

unrepeatable chance to give his

COMMENT & ANALYSIS

Italy's picture of health

James Blitz looks at the extraordinary transformation of the country's prospects of joining Europe's single currency

inch yourself. It now looks a pretty safe bet that Italy will be a founder member of Europe's economic and monetary union at the start of next year. That is the likely upshot of Monday's meeting of European Union finance ministers. Only 20 months ago, when the centre-left government of Romano Prodi came to power, the prospect of Italy being in the first wave was considered unthinkable by its partners. The turnabout is

Until recently, Italy had a stack of problems that towered above those of any other European Union state. The lira had been expelled from Europe's exchange rate mechanism in 1992. The budget deficit - almost 7 per cent of gross domestic product in 1996 looked out of control. There were massive demonstrations against the government's main public finance policy, pensions reform. minister, Silvio Berlusconi, was mired in scandal and Italy's attempts to clean up its corrupt ruling class looked, to put it politely, disappointing.

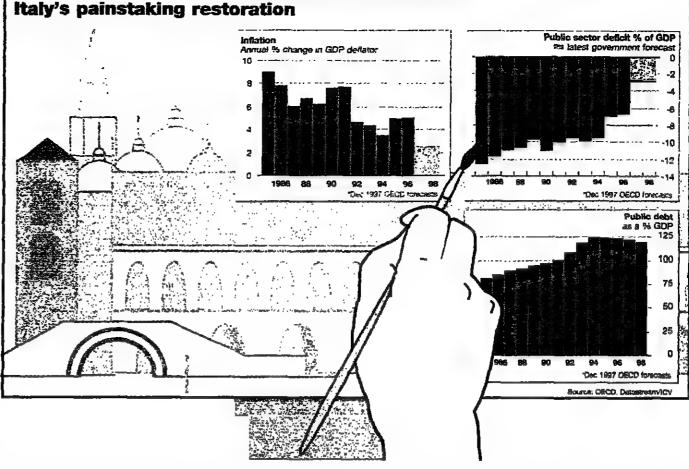
Yet in the period Mr Prodi has been in office, Italy has transformed itself. It has not overcome all its problems of course (notably corruption). Nor are its improvements necessarily permanent. But from being a rank outsider in the Emu stakes, the Prodi administration is turning Italy into a country whose entry into a single currency is now regarded as a racing certainty. How did it do this?

Part of the explanation comes from events outside Italy's borders. The determination of Lionel Jospin's government in France to have a softer euro has strengthened the case for Italian membership. The French government is clearly keen to have an Italian counterweight to Germany within the newly created European Central Bank. There is the suspicion, too, that France may fear the consequences of leaving Italy out of the euro, allowing the Italians to wield the weapon of devaluation to boost exports at its neighbours' expense. All that is accepted even inside the Italian political establishment. But France's determination -

now endorsed by the German government - to allow Italy in would have come to naught if Mr Prodi and his allies had not achieved a remarkable turnaround in the public finances. At the end of 1996, the budget deficit was 6.7 per cent of GDP, easily the largest among the big countries of the EU and more than twice as much as the Maastricht criterion. The figure for 1997 is expected to have dropped to below 3 per cent, meeting the

Emu target.
Annualised Italian inflation in 1997 was 1.7 per cent, less than half the previous year and at a 30-year low. Mr Prodi himself, after nearly losing office last October when the rump of the Communist party stopped supporting his coalition, has since shown a sure political touch.

ness for Emu. Concern centres above all on Italy's public debt



finance minister, recently hinted he might resign if Italy made it into the single currency. A Bundesbank council member, Klaus-Dieter Kuehbacher, said last week that Italy would have to be "more critically assessed" than other EU states in its Emu bid because of its debt. Comments like these will echo in central banks and government departments across Europe between now and May, when the final decision is taken on which states qualify for Emu. But the fundamental lesson of

the past few days is that none of this aniping over Italy's finances has breached the Franco-German must be in the first wave. Monday's meeting of EU finance ministers was a last chance for the Dutch to raise formal concerns about Italy and Emu but Mr Zalm remained silent. Meanwhile, between the two men in the final stage of Italy's Emu bid. The leader of the country most associfor himself how the worries are

Yet it is one thing for Italy to get into Emu, quite another for it meeting over, the focus of attenfrom what the Italians have crushed the concerns of some to what they need to do over the politicians and central bankers next 10. There are two big conacross Europe about Italy's fit- cerns; how quickly can Italy reduce the level of overall debt so it poses no further problem to the which, at 122 per cent of GDP, is public finances? And how quickly

being overcome.

easily the largest in the euro and rigid labour market to area. Gerrit Zalm, the Dutch ensure the country does resists external economic shocks in the more competitive euro area?

The size of the public debt is the more immediate worry. When it joins Emu, Italian Interest rates will fall (towards German rates), which will cut annual debt repayments. But the fear is that, unless the debt comes down quickly, Italy will later be exposed to sudden rises in short-term interest rates that increase debt repayments and make it hard to keep the annual budget within the terms of the EU stability pact on economic policy after Emu. According to HSBC Markets in London, Italy's cost of debt servicing would, on political consensus that the lira average, move up by 0.6 per cent of GDP for every half a percentage point rise in short-term rates.

Moreover, a speedy reduction in the public debt is essential because Italy will face increased pensions liabilities in the second Chancellor Kohl's visit to Mr decade of the next century when treasury and 10,000 working at Prodi last night was being hailed, the "baby boom" generation in Rome at least, as signalling a starts to retire. According to Italwarming of the relationship isn treasury figures, the reforms introduced thus far will contain pensions spending at or below 14.5 per cent of GDP - double the ated with scepticism about Italy's EU average - until 2007. But that readiness now seems to be seeing figure is set to rise to 15.8 per cent after that. To counter these concerns.

Carlo Azeglio Ciampi, Italy's treasury minister, last week pubto stay there. So, with Monday's lished a plan that, it claims, could halve the debt ratio to 60 tion is beginning to move away per cent of GDP in 2009. The assumptions are certainly ambi-None of this has entirely achieved over the past two years tious; to do this, Italy would need growth in nominal GDP of 4.5 per cent a year and a primary budget surplus (excluding interest repayments) of 5.5 per cent. Dr Klaus Friedrich, chief econ-

omist at Dresdner bank, believes are fears, too, about the rigidity more than twice the Masstricht can the Prodi government reform these figures are so tough that of Italy's labour market, with criterion and is, in value terms, Italy's inefficient private sector they are "frightening". In his high and stagnant unemploy- it there.

view, maintaining a primary surplus at this level over 12 years would imply there could be little easing of the high tax burden on Italian families over the next decade and little room for public

The Italians claim it is not as bad as this and that they have some room for manoeuvre. Francesco Glavazzi, a former deputy director general of the treasury, argues that the government could speed up Italy's privatisation programme, using the proceeds to reduce the debt stock. If this is to happen, he says, it is critical that Mr Ciampi announce plans to press ahead as fast as possible with the sale of the rest of Enj (the state-controlled oil and gas congiomerate) and Rnel (the state electricity company).

Prof Giavazzi also believes the government must start slimming down the central government machine, one which has, for example, 27,000 employees at the the Italian state's job placement office. The problem with all these reforms, however, is that they require broad agreement from Italy's far-left coalition partners and the country's powerful trade unions.

he second big long-term concern for Italy will be whether the inefficient bits of the private sector can improve enough to compete in the newly competitive single currency area. The fear is that inefficlency and overmanning in some sectors - particularly banking, finance and parts of industry - is so bad that it could result in short-term shocks that increase unemployment sharply. There ment in the south and large numbers of companies unable to fill job vacancies in the north.

The Prodi government shows every intention of wanting to tackle this issue but is coming up against the power of Italian unions. The government has for months been trying to get an agreement between industry and the unions to cut the number of workers in the banking sector by some 40,000. No deal has yet been reached. Similar attempts are being made to cut jobs in the state railway service - currently losing some L4,000bn a year again without success. Mr Prodi recently announced a deregulation of Italy's rule-ridden retail sector. Here, too, he is facing "It is in the area of competi-

tiveness," says Professor Giavazzi, "that Italy runs the real risk in the long term. The country will be accepted into Emu by its European partners who view Italy as a big market into which they can sell their goods and services. But there could be a short-term adjustment in terms not expecting, and the Italian public may find, to their surprise, that the people running their banks are located in other parts of Europe."

Professor Giavazzi does not think Italy will lose out from joining Emu. Italy has always benefited from having an external constraint. Once it was anti-Communism and Nato, Now it is the Franco-German goal of monetary union. But what Italians may not yet have realised is that needed to get the country into Emu will pale into insignificance compared with the transformation that will be required to keep

Africa's debt

The world's richest nations Paris Club members are owed meet today to discuss the fortupes of one of the poorest. For the fourth time in as many months, members of the Paris Club of bilateral creditors will be trying to reach agreement on the level of debt relief they are prepared to offer Mozambique. Compared to the \$40bn-plus

bail-out of Indonesia they are helping to underwrite, the extra \$350m they must find to bring this impoverished country's debt within its capacity to service is modest in the extreme. Having swallowed a camel, the Club is now straining at a gnat.

Yet the outcome of the Paris meeting is not only critical for in which more than 1m people debt of highly indebted poor countries - most of them in country on the path to recovery.

Africa - to a manageable level. implemention of the plan to debt has been held up by disto the country should be eligible for relief. The Bank and Fund maintain that it must be 90 per cent if Mozambique's debt serviview is shared by Britain and on a ceiling of 80 per cent.

the most, so their decision is critical to a deal, because a condition of the initiative is that the burden must be shared proportionally among all creditors. While it would be the first time the club had offered relief for more than 80 per cent, it would be setting a precedent that few other countries could follow because Mozambique is both uniquely disadvantaged and unusually deserving.

It is suffering the conseopences of a civil war that left its economy devastated and its infrastructure in ruins. Of a population of 18m, about 10m have no access to clean water, Mozambique, struggling to and about 190,000 children die recover from a 16-year civil war each year before the age of five And it has held multi-party elecfled. At stake is the joint World tions following a peace agree-Bank-IMF initiative launched in ment in 1992, coupled with September 1996 to reduce the reforms to deregulate the oncesocialist economy, putting the

But Mozambique is burdened by an external debt nine times relieve Mozambique's \$5.6bn the size of its annual exports. The amount it spends on servicagreement in the Paris Club on ing that debt is four times what what proportion of their lending it spends on health. This is not only unsustainable. It is morally unacceptable. Yesterday the Archbishop of Canterbury urged Africa's creditors to mark the cing is to be sustainable. That millennium "by relieving her of the burden of unpayable debt". the US. But Japan and Germany Mozambique is the right place are understood to be insisting to demonstrate the "moral courage" he is calling for.

Industrial chemistry

Plenty of head-scratching among drugs industry boffins about the mooted merger of ... SmithKline Beecham and American Home Products. But whatever the industrial logic. the deal looks like an almost perfect fit in the boardroom:

Jack Stafford has been running AHP for more than a decade. But the tough lawyerlost his heir-apparent last summer when Fred Hassan upped sticks to run Pharmacia & Upjohn, At 60, and following a recent bout of serious illness, Stafford might like to cap his career with a mega-merger before making a graceful exit.

Hyperactive SB boss Jan Leschlev may also feel it's time for a change. It's three years since the former tennis champ served up his last set of deals: he's only 55, but industry insiders don't expect him to remain chief executive into his dotage. A post-merger reshuffle - with Leschley moving up to. say, co-chairman - would probably suit the SB camp. All the more so if the energetic JP

second fiddle to Leschley, could slip into the top executive slot. Of course, talks might founder on triffing disagreements over

Garnier, impatient with playing

industry full of volatile types, wouldn't it be nice to see a deal where the chemistry is right?

Mart times

■ Observer hears that Chicago's enormous art deco Merchandise Mart, a linchpin of the Kennedy family's commercial empire since the 1940s, is for sale.

So has the Kennedy clan hit hard times? There have been signs of strain recently - the authoritative Crain's Chicago Business says family companies borrowed \$35m against one Chicago property last August, and in 1996 added \$30m to a \$190m mortgage on the Mart.

Many family members have followed relatively modestly paid political careers while maintaining millionaire lifestyles, and re-elections - like Senator Ted Kennedy's campaign a few years ago in his home state of Massachusetts are expensive. Divorces and maintenance settlements can't have helped, so the current strength of the Chicago property market seems a golden opportunity to generate some cash. The Mart is expected to fetch about \$400m.

No change

■ Brussels vesterday celebrated

European competition policy with a lunch for its founding fathers, Hans von der Groeben, the first competition commissioner, and Pieter VerLoren van Themaat, the first director-general.

Van Themaat said he could never get Belgian ministers to toe the line. "That is still the case today," sighed former Belgian minister Karel Van Miert who, as the current the continuing struggle to sell the virtues of competition to his reluctant native land.

Zigzag path

■ Indonesia's President Suharto seems to have his eye on science and technology minister Bakharuddin Yusuf Habibie as his presidential running mate. Habibie, a Subarto protégé since childhood, is the best fit for yesterday's presidential wish-list of being "loyal, with a knowledge of science and technology and able to perform in international forums". If the 61-year-old

German-educated engineer gets the second-top job, he might test out the "zigzag theory" he came up with last year to solve the country's persistently high interest rates. The idea was that rates should be slashed, pushed up again to fend off overheating, the odd billion dollars. But in an - if that's the word - 40 years of then slashed again: the cuts

OBSERVER would be deeper than the increases, giving a somewhat jagged downward trend. With the rupiah on the floor. some original thinking is certainly called for, though the zigzag sounds a little too eccentric: judging by their reaction yesterday, the markets certainly think so.

Flower power

■ Bonn technology minister Jürgen Rüttgers had to admit yesterday that Germany has some way to go before boffins can turn it into Europe's leading biotechnology centre.

Apparently the internationally renowned Max-Planck research institute recently wanted to move a genetically altered petunia from Cologne to an exhibition in the nearby town of Wesseling. To help the authorities protect the public. researchers had to complete a mountain of paperwork, including a precise description of the route, and nominate a "biological security officer" to ensure that the plant stayed

under a glass dome. Much of the case of the lonely little petunia in its onion-shaped dome had its origins in European Union rules which the Bonn government wants to change. But there are plenty of home-grown restrictions waiting

Financial Times

100 years ago A Respectable British Island

Very few people, unless they are connected with the Foreign or Colonial Offices, know much about Rodrigues. or care very much either. For the information of the majority, we may inform them that it is not the name of a Spanish brigand, but of a respectable British island. Dependency, the Mauritius. It is eighteen miles long and six miles broad, and Mr. Colin, our Resident Magistrate, has written a book about it. It takes some time to bring the voluminous statistics of Rodrigues into order, so it is not surprising that the figures given do not cover a more recent period than 1896. From an inspection of these We gather that crime diminished. although more persons were convicted.

American Battroads It is a promising sign of the times that during 1897 only eighteen American railroads went into the hands of Receivers, and of those only three were lines of any importance, or of which anything is ever heard over here. The list of Receiverships is a sort of barometer, going up or down according to the commercial condition of the country. Thus in 1876 there were 42, and then the number fell away each year until in 1881 there were only five.

FINANCIAL TIMES

Wednesday January 21 1998



UK to review offshore islands' finance systems for battle

By Clay Harris and Jimmy Burns

The UK government yesterday surprised the offshore centres of Guernsey, Jersey and the Isle of Man by launching a wide-ranging review of their

The review will look at the islands' laws, systems and practices for financial services regulation and company regis-tration and the way they deter, investigate and punish financial crimes, including moneylaundering.

Jack Straw, home secretary, said it was vital to UK financial services that the islands' systems were seen to be policed effectively since "any regulatory deficiencies could be seen – however inaccurately – as reflecting poorly on the standard of regulation in

the UK itself". The exercise is to be undertaken in concert with the islands' own authorities. It got off to a rocky start because it was launched without warn-

ing, a move condemned by Jer- Lord Williams of Mostyn, sey's "chancellor". Frank Mor- home office minister. "This is gan, president of the finance not an intervention," he said. and economics committee of the States of Jersey, said: "We have long-standing consultation channels and we are at a loss to see why they have not

Laurie Morgan, his Guernsey counterpart, said the island's authorities had learned of the review when they were sent a copy of the Home Office press release yesterday morning.

The islands said they had no objection in principle to a review but would ensure that terms of reference were acceptable before responding.

The six-month review, which will be led by Andrew Edwards, a former senior Treasury official, could put political strains on the semi-detached constitutional status of the self-governing Crown

The UK has ultimate power to be delivered to dependent to force changes, but this pos-

Lord Williams said the review would not cover the

use by UK residents of the

islands' beneficial tax regimes.

some of which have featured

in recent investigations into

illegal capital transfers and

money-laundering.
According to Foreign Office

officials, however, steps to

tighten up on their operations

have been taken in the after-

math of the collapse of Bank of

The Foreign Office said last

night that further regulations

were being considered as part

of an overall review of the

IIK's constitutional relation-

ship with its dependent territo-

ries which was announced in

An initial report is expected

Credit and Commerce Interna-

It also does not apply to the

By Allos Rewellhorn

Record companies are bracing themselves for fresh hattles with their artists about the sharing of revenues from music sold and distributed digitally across the internet, or high-speed telecommunica-

So-called online sales, whereby music is downloaded into consumers' computers as a digital signal, are expected to increase rapidly during the next few years. Until now, such transactions have been

imited to small pilot projects. Multinational music groups, tious schemes, and have recog-

"What is clear is that record companies hold the rights for digital distribution, but we haven't worked out how to share that revenue with our artists," said Strauss Zelnick, president of BMG (North America), the Bertelsmannowned record label behind Puff Daddy, Elvis Presley and Tomi Braxton.

the compact disc (CD) in the early 1980s.

in north America.

But record companies insisted on paying a lower royalty for several years to recomp their investment in CD complained about this, notably George Michael who claimed Sony Music had reduced his CD royalties for too long in his unsuccessful

emali sums. Mr John Glover, chairman of the International Managers Forum, which represents artists' managers, said such clauses were "wholly inadequate", given the digital market's potential. Jupiter, a US research consultancy, estimates \$1.64bn-worth of music

Discord over royalties. Page 8

Recording over online revenues

including PolyGram of the Netherlands and Germany's Bertelsmann, are finalising plans to launch more ambinised that they will have to renegotiate their artists' contracts to agree terms of pay-

The last time recording con-tracts were renegotiated on stock a wide essle to accommo date a new form of distribution was after the launch of

Most record companies eveninally agreed to pay the same royalty on CDs as on vinyl and cassettes. Typically, this represents 20 per cent of wholesale prices in Europe for superstars and less for newer artists, with an equivalent percentage of the retail price

1994 court case. Record companies have idded catch-all clauses to contracts covering "any other form of distribution", which should include online sales. but the terms of payment are intended to cover relatively

Research riches

it's the research, stupid. SmithKling Beecham and American Home Prod-ucts do not need to merge. Both are growing at around 13-14 per cent a year and SmithKline, in particular, has a promising product pipeline. But the opportunity of creating a giant with the resources to throw \$2.5bn-\$3bn annually at R&D seems too good to miss. Particularly, since technology advances are about to deluge the pharmaceutical industry

with new drug candidates. A merger would bring other benefits too. It would transform two companies being squeezed out of the top 10 into the world's number one. SmithKline's dynamic management would neatly fill the vacuum at AHP, and since both companies are effectively American there should be fewer cultural problems than at Pharmacia & Upjohn. Cost savings may not be the prime focus, but synergies should still be sub-stantial. A 15 per cent cut in the smaller company's cost base -AHP's - would yield \$1.7bn. Taxed and on a multiple of 10 times earnings that amounts to \$12bn, almost the increase in the groups' market value since the deal was mooted.

Both were quick off the mark during the drug industry's last consolidation wave in 1994. And the prospect of a \$130bm behemoth cornering a big chunk of an essentially finite pool of R&D leads should give rivals pause for thought. SmithKline's chief executive, Jan Leschly, has been adamant that higger does not mean better. But he would surely like the chance to prove himself wrong.

Hongkong Telecom

traffic had already slipped below 75

per cent with the flourishing of call-

back services, the package looks

HK\$6.7bn (US\$866m) in cash, the

right almost to double residential

Asia's crisis is hitting America's Hongkong Talecom's shares jump international banks in waves. The per cent on news the company is first impact came from trading being deprived of its international losses, which Chase Manhattan monopoly. Odd? Not really. That warned of back in November. This the company would have to cede its monopoly before its expiry in 2006 was followed by a drop in local. business and the effect of unfavourhas long been clear. The opening of able exchange rates. Citicorp attri-Singapore's international market buted two-thirds of an estimated was a spur to competitive liberalisa-\$250m "Asian impact" on its profits tion in the region that pricked freeto those two factors. Now J.P. Mormarket Hong Kong's pride. What has depressed the shares has not can has raised the spectre of potential bad debts by classifying \$587m. been fears that the monopoly would of Asian loans as non-performing a staggering 11 per cent of its \$5.4bn exposure to Indonesia, South Korea be lost, but how much compensation HKT might win in return. Given that its share of outbound

and Thailend. In part, Morgan is doing this sim- rating should underpin the share ply because it can. It seems unlikely that this much of its portfolio has generous. The combination of gone sour this quickly. But with over \$1bn of general loan loss provisions tucked away on its balance sheet, the bank could write off that

THE LEX COLUMN

an end to royalty payments should

have a positive effect on earnings from 1999. Furthermore, the

two-step move to full competition

will soften the blow. While rival

companies will be allowed to offer

international services by re-selling

capacity on HKT's network from

1999, the real force of competition

will only be felt from 2000 when

From majority-owner Cable and Wireless's viewpoint, this deal may

bode well for its possible involve-

ment in the eventual modernisation

of China's telecoms infrastructure.

But rather than contemplate such

imponderables, the UK-based opera-

tor might be better advised to find a

good use for the cash in cheap

US banks

rival networks will be permitted.

Merger candidates

problems early on, it should enhance its super-conservative rep-crather. And Morgan's setton challenges its rivals to follow suit. Both Chase and Citicopy, for instance have significant Asian exposure, but recorded a drop in their had debt provisions for 1997.

Another worrying trend eviden from 'yesterday's results is that costs have continued to climb. At J.P. Morgan, they rose 12 per cent last year against 5 per cent growth in revenue. With Asia hitting busi-ness and bad debts set to rise, profits could be in for a squeeze.

Somerfield

Somerfield shares have had an electrifying start to the year, rallying nearly 20 per cent in only two weeks. The only snag is that take-over speculation looks fanciful. Of the big four supermarket groups Tesco, J. Sainsbury, Safeway and Asda it is not clear why any would want Somerfield's portfolio. The trend is towards building larger stores, while Somerfield's average store size is much smaller. And while Tesco is building smaller intown Metro stores, these tend to be in much better locations than

As for chains of smaller store such as Kwik-Save, it is doubtful they have the requisite financial muscle. One thing which might change this would be an event -such as the mooted 5afaway/Asda merger - which transformed the industry landscape. Until such time, Somerfield must stand on its own two feet. To be fair, management has made solid progress. Good buying and a better selling mix have contributed to a 8.5 percentage point increase in gross margins

over the past three years. But this rate of progress is not sustainable. To keep sarnings moving shead, management will need to engineer stronger sales growth. Store refurbishments and new openings offer some potential: with likefor-like sales growth running at only 0.3 per cent, this urgently needs to be realised. The sector's defensive attributes and a modest price. But a rerating will await clearer evidence of sales growth, or more credible talk of a predator.

> Additional Lex comment on small companies, Page 24

territory officials at a confersibility was played down by **Defiant Suharto to**

average 20% Continued from Page 1

made it expensive to import

Sea cargo

rates fall by

However, Paul Dowell at shipbrokers Howe Robinson expects volumes to pick up afterwards as Asian manufacturers seek to increase exports. This should lead to an increase in the demand for imported

raw materials. Shipowners are feeling the pinch because the crisis has hit a market that was already

weakening Encouraged by the buoyant mid-1990s, shipowners invested heavily in building new ships, many of which are now arriving on the market at the worst.

possible time. The container shipping fleet, for instance, is expected to increase by around 12 per cent | lyst said. "That's what worries in tonnage terms this year. In 1997, it grew by 16 per cent. The dry bulk cargo fleet is expected to increase by 5 per cent in the next six months

cated on the belief that a medium-term growth rate of 7-10 per cent for the container mar-

ket would be maintained. Last year, when this was actually achieved, charter rates still fell by more than 10 per cent, as overcapacity bit into margins. Most analysts accept that this year is going

to be far worse. "There is a chronic oversup ply of shipping at the moment." says Mr Dowell. "Combine that with a real reduction in the number of cargoes going to the Far East and that creates a real head ache for shipowners."

seek seventh term

President Subarto of Indonesia yesterday confirmed he would run for president in March, defying calls for his resigna-tion amid a steadily worsening

Golkar, the party that dominates parliament, also gave a strong hint that Bakharuddin Yusuf Habibie, minister of science and technology, would be a front-runner for the vice-

Rumours that Mr Habibie, 61, was the president's first choice helped send the rupish into a tailspin on Monday. "Everybody is afraid that Suharto will not complete the next five years. That means Habibie would step into the presidency," one political ansthe market. Spend, spend,

spend is his policy." Much attention has focused on the vice-presidency, particularly since the president disappeared from the public eye for 12 days in December. He is believed to have had a mild stroke but aides have insisted he was merely tired. In recent appearances, Mr Suharto has surprised observers by looking

fit and energetic. The local currency, the rupiah, fell from Rp9,575 to Rp10.575 to the US dollar yesterday before the announcement that Mr Suharto was seeking a seventh term in office. In late European trading, the rupish was at 10,000 to

The International Monetary Fund stepped in with a rescue

Against the dollar (Ro per \$)

ndonesian rupiah

in the rupieb and put back on track international efforts to control the Asian economic crisis. But there was no sign in the markets yesterday that Mr | development. Many artists Subarto's decision had boosted faith in Indonesia's ability to pay \$140bn in debts and revive

Harmoko, Golkar's chairman, said yesterday: "Suharto accepts the responsibility and is willing to be nominated as president." Following a meeting with the president, the chief of the armed forces and the minister of interior affairs. he quoted Mr Suharto as sav-"The majority of the people want me to continue for

the next five years.' Mr Suharto, 76, had been widely expected to seek a seventh term, but the sharp downturn in the Indonesian economy has sparked protests igainst his rule and calls by prominent opposition leaders

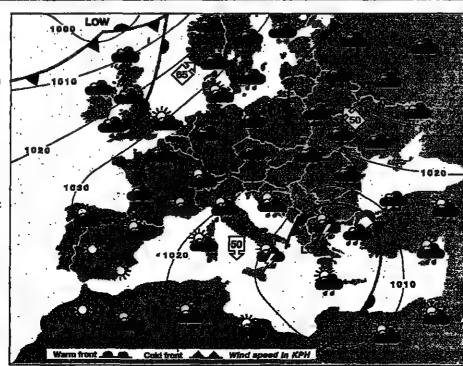
will be sold online by 2003. for his resignation. package last week. in an attempt to restore confidence Observer, Page 17 FT WEATHER GUIDE

Europe today

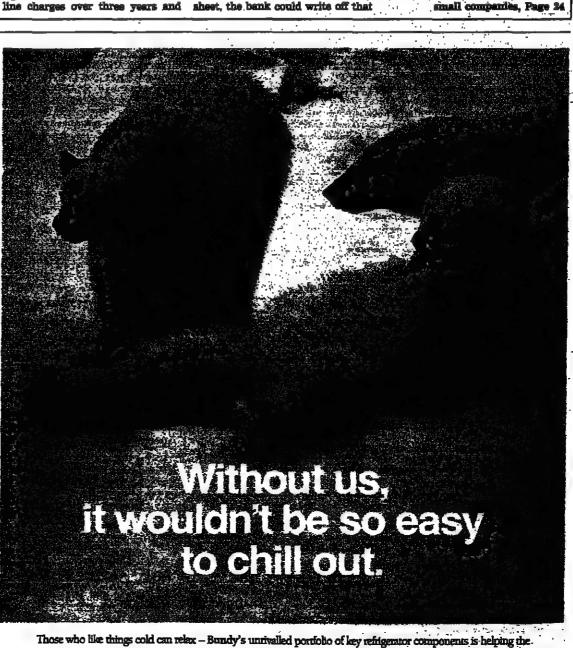
Much of Scandinavia will start dry and very cold, but snow will move into Norway and southern Finland later. The Balkan states and eastern Europe will have snow, but the south-east will have some heavy rain. The eastern Mediterranean will be showery with some heavy downpours and scattered thunderstorms. The pentred Mediterranean will have some thundery showers in between spells of sunshine, but the west will have plenty of sunshine. The north-west will become cloudler, with the threat of rain, but most of France will stay

Five-day forecast North-eastern Europe will stay cold

with more snow, and the south-east will also become colder with wintry showers. The south-east and the eastern Mediterranean will stay unsettled with further heavy showers. The central Medite will have some scattered showers while western Europe will become bright and chilly after some rain.







refrigeration industry worldwide meet their needs. in China, Bundy's technology helps leading fridge and freezer manufacturers meet global environmental requirements. In Eastern

Europe, Bundy supplies all condensets and evaporators for Electrolux chest freezers. In India, Bundy is sole supplier of refrigeration condensers to Whirlpool. Neater home, Bundy's new Waveline condenser - designed for appliances in restricted spaces — fits nearly into Electrolux's 1998 pan-European programme. Thanks to Bundy, manufacturers everywheie can cool it, Bundy is one of TI Group's four specialised engineering businesses, the others being John Crane, Dowty and Polymer Engineering. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide,



هدا من الرس

competition aircraft per

ಕ್ಷಮ (ಅಭಿಮ Language Property No Asia $\sigma_{pq}^{\rm and}(k) \approx 10^{10}$ in Sean.

-

150

Etc Dos

ALV.

Dr. 5 . 2000 Dem significant

FAX MACHINES

Wednesday January 21 1998



Competition cuts aircraft prices



Somerfield

The state of the s

See that the second second

Nagrandal let size

Spire.

 $\mathcal{S}_{i}^{n}(\underline{x},\underline{x})^{n},$

Competition among aerospace producers has cut aircraft prices by a fifth over the past two years, Daimler-Benz Aerospace (Dasa) of Germany said. Producers are sacrificing profits as they battle for a share in world markets. Dasa blamed Boeing, the US manu-

facturer, as the chief culprit. Manfred Bischoff (above), Dasa chief executive, said: "The prices are dictated by Boeing. We are followers in this case." Page 21

Lucent results exceed expectations Lucent Technologies, the US communications equipment supplier unshackled from the AT&T group in 1996, surged past Wall Street expectations when it announced its quarterly results. Earnings, excluding one-time charges, were equivalent to \$1.72 a share, exceeding the \$1.52 consensus estimate of analysts. Page 20

Russia's problems to restrain growth The Russian stock market has fallen by about 20 per cent since the beginning of the year. The government's problems with its public finances, its difficulties in enacting a fair tax code, and a weak domestic banking sector will all restrain economic growth in Russia this year. Page 38

India forced to raise cotton imports A shortage of domestic supplies of cotton is forcing India to increase imports. This season's cotton crop is smaller than expected because of the late arrival of the monsoon. Page 28

ompani	ies in	this	issu

Companies in	this issue
AGE	21 J.P. Morgen
AT&T	20 JCI
Adam Opei	. 21 Japan Airlines
Aerospatiale	21 Jardine Wines
All Nippon Airlines	8 Johnson & Johnson
Allane	21 KPMG
Allied Colloids	24 Kia
Am Home Prode	1,18,19 Kiroh
Am Min Fields	28 LGT
Anglo American	28 Lend Lease
Ansett	g Lonno
Sinc One	. 20 Lucent
Bank Dunamon	28 Mapfre
Bankinter	21 Merrill Lynch
Barriok	20 Microsoft
Benelsmann	2,18 Mitsubishi Electric
Bets Digital	2 Monsento
Beta Research	2 National Mutual
Boeing	21 Nintendo
Brierley inv	23 Northwest Airlines
British Asrospece	21 PTTEP
Butte Mining	24 Paine Webber
CLTV-ute	2 Pfizer
CPF	PolyGram.
ORNI	24 Porsche
Caja Madrid	21 Price Waterhouse
Case	21 Prudential
	Contes

Chase Manhettan 18,19,20 Citicorp Coles Myer Coopers & Lybrand Country Road Crédit L de F 21 Somerfield

Reneomes

Regionali

Snecma .

2 Toehiba

8 United Airlines

http://www.FT.com

Read Flewie

Sega Slemena KWU

Société Générale

SBC Warburg DR

Eston 20 TWA 20 Textron 21 TrizecHahn 22 UBS 25 United Distillers 26 · Veba 24 Wells Fargo Guirriges Marion 24 Westinghouse Havening Hitton Hotele 20 Woolworths 18,19,22 Yokohema

Market Statistics Bond futures and options Bond prices and yields odities orices EMS correccy rates Fixed Interest Indices FT/S&P-A World indices

32,33 FTSE Actuaries share indices 34 26 Foreign exchange London share service Managed funds service Money markets New indicand leaves 25 Recent leasure Lik 35 Short-term int rates

CROSSWORD, Page 28

11 - 2 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -		П
Ghier price cha	nges yesterday	
PRANKPURT (DEG	PARIS (FT):	ŀ
Bota Sys 180 + 8	Artel SLS + S.S	1
Marachalle Ltm. 1530 a 30	into Resilia - 246.4 + 72.9	Į.
Merck . 51.5 + 2.5	teremob Hotel 35.25 + 8.25	I
Market 1	Falls	ŀ
-Bilcke-Durt - 205 - 17	. Gabo inde 827 - 58	ŀ.
Mara. (Zinika - 26.2 - 1.8	Paivel Mmmt 448.2 - 73.8	1
Schneider Ref 250 41	Sola 190 - 10	1
HEW YORK (8)	TOKYD (Yes)	П
Rines	Rives	П
Amer Home Pros 91% + 102 Ciber 576 + 38	Daldo Steel 198 + 27 Kanematan 189 + 46	ı
120a + 38	Kaneragali 100 + 49	1
St Pard Cos 841/2 + 65/4	Mathimatau Cau 470 + 55	ы
	Cleanura-Gural 480 + 41	Ι.
. American 3794 — 574	Table	ŀ.
April Hilbert 94 - 24 Patier Hann 424 - 59	Dahra House 795 - 39 House Corp 3780 - 280	11
Patier-Hann 425 - 51		L
LONDON (Punce) Rices	HORG KONG bacal	13
	Rises	P
James 408 + 25%		н
PowerGari 873 + 24	Heng Seng Bk 65.5 + 1.25	I.
	- Hutch Whomp 46.0 + 1.9	ì١
	Tells.	14
Angos 400 - 26	HSB0 Hid (3) 188.5 - 4.0	l.
Proteus 76 - 7	Henderson Lnd 29.45 - 1.75	Ι,
Weir Sap - 228 - 21	Hasco 141 - 0.9] 1
TORONTO (CS)	BANCKOK (Bahd	Í٤
Rises	Rises	١,
Can Franca Ro : 8.90 + 1.50	Hentex Co 9.1 + 2.1	
Figel Eagy 13.00 + 1.60	Macpachal Hep 13.0 + 3.0	٠i
1990 Entry 9.70 + 0.95	The April Fds 17.25 + 1.75	lτ
Palls	Fede	١.
Ashton Mining 5.05 - 0.58	Chail Welana 8.5 - 3.65	
Debusines and so a co	Marine Cont	

Hongkong Telecom gives up monopoly

OTHE FINANCIAL TIMES LIMITED 1996

By John Ridding in Hong Kong and Alan Gane in London Company's compensation deal includes \$866m in cash

Hongkong Telecom, the territory's dominant telecoms operator, has agreed to surrender its monopoly on international services six years earlier than expected in exchange for a compensation package, including HK\$6.7bn (\$866m) in

neans the territory's internaopen to competition from the peginning of next year, with the liberalisation of telecoms infrastructure scheduled for

information infrastructure. pre-eminent telecoms hub in

based operator which holds a would also boost jobs and 51.2 per cent stake in Hong-Yesterday's agreement kong Telecom and which neans the territory's interna-derives about 65 per cent of its tional services market will be profits from the operator, said yesterday that it was a "fair and balanced" outcome. It removed uncertainty over

the future of international services in the territory and Hongkong Telecom would no end of all monopolies from longer have to pay royalties averaging HK\$500m a year to 2000," said Alex Arena, special

Stephen lp, secretary for eco-developing its existing ser-That should allow Hong Kong nomic services, said the early end of the monopoly, which initially had been due to last until 2006, would bring savings Cable and Wireless, the UK- of HK\$17bn to consumers and investment. "This liberalisanomic uncertainty in the

> tus," he said. Linus Cheung, Hongkong Telecom's chief executive, said the agreement provided fair compensation for a valuable asset. "With a more certain kong Telecom can focus on

> significant economic stimu-

vices, growing its mobile businesses and advancing the products," he said.

The end to uncertainty over the group, the last British-controlled monopoly in Hong Kong, pushed shares in Hongkong Telecom up by almost 3 region, will give Hong Kong a per cent to HK\$15.55. Cable and Wireless, its UK parent

saw shares rise 7! ip to 508 ip. Under the liberalisation proposals, the large conglomerates which operate local services in Hong Kong will be invited to apply for licences for three groups - Li Ka-shing's Hutchison Telecommunications, New T&T, and New World Telephone - will be able to start international voice ser-

Mr Arena said the issue of further licences would be determined by a review of local licences in the middle of this year.

vices from next year and build

infrastructure from 2000.

In addition to a cash payment, which will be made in two tranches by July 1, Hongkong Telecom will be able to raise charges for local residential lines. However, these charges will be capped and required to have at least 50 per

Food products 0.79 Pharmacourlesis

the first permitted increase in continue to be free of charge.

Mr Arena said compensation of HK\$6.7bn was reasonable given annual profits of about HK\$3.75bn from Hongkong Telecom's international franchise and that benefits to consumers and business would far outweigh the costs.

Government estimates predicted the cost of a direct outgoing call to the US would fall from almost HK\$7 per minute to little more than HK\$1 by 2006-7 using international simple resale services, in which international operators lease local lines.

Lex, Page 18; HK telecoms join

Formula for a drugs giant

Merger fever returns to the drugs industry

ike horror movie mon-sters that won't stay But latest down, multibillion-dollar mergers are back in the frame for the global drugs industry. SmithKline Beecham to trigger and American Home Products possible merger would create the world's biggest drugs company. They are veterans: three and a half years ago both were in at the start of the last wave

It was the summer of 1994. SmithKline wanted to swap its agrochemicals business for the consumer medicines side of a company called American Cyanamid. The story leaked, and AHP stepped in with a hostile \$10bn bid for Cyanamid that won control of

The deal was driven by fears that healthcare reform plans proposed by the Clinton

Other countries, notably Germany, had already taken effective measures to cut the nation's medicines bill and stop drug sales growth. tives turned to mergers and

slowed. Within two years, there followed Glazo's hostile takeover of Wellcome, Smith-Kline's acquisition of Kodak's the world's biggest drugs com-Sterling Health and a host of pany. His heir appearent, Fred other deals culminating in the Hassan, left the company last rivals Ciba and Sandoz to form Novartis two years ago. But then the deal-making all

talks unlikely

but stopped. The Clinton reforms were abandoned, and most other countries did not cost-control measures.

The drug companies themselves found growth through new drugs in areas such as depression, schizophrenia and Several factors have com-

bined to make SmithKline and

 Strong recent growth. administration would cut drug Even though investors have continued to buy drug company shares in the hunt for a haven from the upheaval in Asia, recent growth rates of 15 per cent in sales and profits will be difficult to sustain. Drugs company chief execu- • Leadership succession.

Jack Stafford, the 60-year-old chief executive of American year to run Pharmacia & Upjohn, another US drugs about the succession at Ciba

companies to start the talks that led to their merger.

 Culture and geography. Although SmithKline has its headquarters in the UK its US centre is in Philadelphia where Wyeth Ayerst, AHP's drugs division, is also based. One reason the Ciba/Sandoz merger went well - and the US-Swedish Pharmacia and Upjohn merger did not – was physical proximity and cultural similarities.

 Complementary product lines. SmithKline is strong in antibiotics, vaccines and depression, while AHP is strong in hormone replacement therapy, oral contracep-tives and painkillers.

• Complementary research and development. SmithKline research and has thou potential avenues of investigation that could lead to nev treatments. To affect the behaviour of genes, however, SmithKline needs large num-bers of protein-based drugs to test. AHP owns Massachusetts-based proteins specialist Genetics Institute.

There would still be probup profits growth while sales. Blome Products has been with have learned that a pharmaously ill and may be more pre- centicals company with 5 per pared to take a back sont after cent of the world market – being instrumental in creating such as Glaxo Wellcome or such as Glazo Wellcome or Novartis - may in reality dominate the treatment of an individual disease. Glazo forced by regulators to sell an company. Question marks antivirus drug before its could complete the merger.

SmithKline/AHP faces headache pills, for example, lems. Competition regulators AHP Advil. In R&D, both companies have drugs to treat anxiety and cancer.

The combined group's prospects could be clouded by notential liabilities arising from compensation claims linked to AHP's slimming drug Redux. Redux was launched in 1996 and abruptly taken off the market in September 1997.

SmithKline's sales will rise by 9 per cent annually.

For these reasons Smith-Kline's shareholders may take some persuading to accept a merger. Whatever the outcome, pharmaceuticals companies could rethink their attitude about the speed of

even if the deal does go ahead

will satisfy shareholders. employees and regulators will not be easy for Smith Kline, AHP or any other drugs company which follows in their

Daniel Green

JP Morgan designates some Asian loans 'non-performing'

J.P. Morgan, the US inter national bank, yesterday announced it was designating more than 10 per cent of its loan exposure to South Korea. Malaysia and Thailand as "non-performing", as the largest US banks revealed they had been severely hit by the Asian market turmoil of the

past three months. Citicorp and Chase Manhat-tan, which have extensive exposure to the Asian region, also reported that their results had been severely affected by the financial crisis, with Citicorp estimating that it had knocked \$250m off its profits in the fourth quarter. But neither designated any loans as non-

The move by J.P. Morgan was interpreted by observers as primarily a political state-

ment. Analysts regarded the lyst at UBS Securities, said: bank's results as deeply disappointing, with net income down 35 per cent on the equivalent quarter of 1996 at \$271m. Revenues dropped from \$1.805bn to \$1.68bn, while expenses increased from \$1.19bn to \$1.3bn.

Morgan said at the end of last month it had \$5.4bn in outstanding commitments to Indonesia, South Korea and Thailand. This includes \$900m to Indonesia, \$3.4bn to South Korea and \$1.1bn to Thailand. These three countries account for 60 per cent of its \$1.08bm allowance for credit losses.

Morgan also increased non-performing assets from \$84m to \$659m. These are loans on which interest is not being collected. However, they have not been written off and do not affect fourth-quarter profits.

Tom Hanley, banking ana-

political statement on the part of J.P. Morgan, as the increase in non-performing assets doesn't square with loan loss

US banks meet Korean officials for further negotiations on debt restructuring today, amid growing criticism that the banks are attempting to profit from Korea's problems. John Reed, Citicorp's chief executive, estimated that the Asian situation had reduced the bank's profits by about

While \$100m resulted from exchange rate fluctuations, a ing losses and \$60m from smaller interest rate spreads in Asia. Citicorp stressed that the trading losses due to the Asian situation were impossible to

\$250m during the quarter.

First derivatives deal in euros announced by French banks

By Samer Iskandar in London

Two French banks yesterday announced the first derivatives contract denominated in euros, the single European currency due to be introduced in Janu-

The transaction, which highlights the growing confidence an eight-year interest rate of French banks that European economic and monetary union is going ahead on time, sur-"Nobody was expecting this

prised analysts.

ing part in the single currency is due to be published.

Although some futures exchanges have recently made arrangements to settle contracts in euros eventually. these are still based on existing currencies. However, yesterday's deal,

swap between Crédit Local de France-Dexia, which finances local authorities, and Société Générale, the commercial bank, breaks new ground. until May, at least, when the When it takes effect next year.

ing sum of 100m euros. In return, it will pay SocGen a floating rate linked to Euribor. an average of lending rates quoted by 60 European banks.

The International Swaps and Derivatives Association, which represents banks and brokers, said: "We are pleased that preparations for Emu are advanced enough that such deals have become possible."

However, analysts said that with such a binding contract, the possibility of a delay in Rmu, and the fact that details composition of the euro is Crédit Local will receive inter- of how Euribor will be calcuknown," said one. This is est payments, at a rate fixed lated have not been finalised,

Perhaps most importantly, industry consolidation. But potential difficulties here. In Smithkline is growing much more quickly than AHP. it looks unlikely that it will SmithKline owns Panadol and James Capel, the stockbroker, forecasts that AHP's sales will grow at 4 per cent a year; personnel and rese while during the same period will take time.

Addressing the complexity of Achieving a balance which

£56,000,000 Institutional Buy Out of **A&P Holdings**

A&P Holdings

Transaction led and arranged by Royal Bank Development Capital Institutional Equity led by

Royal Bank Development Capital

Mezzanine and Senior Debt led by

Bank of Scotland

Advisors to Royal Bank Development Capital Dickson Minto W. S.

Deloitte and Touche Corporate Finance **Price Waterhouse Corporate Finance**

Rayal Bank Development Capital Limited, Ragistered Officer 42 St. Andrew Square, Edinburgh EH2 2YE Registered to Scotland Number 139616 I. Royal Bank of Scatland Company

Royal Bank
Development Capital

Lucent outshines Wall Street forecasts

By Nicholas Denton in San Francisco

Lucent Technologies, the US communications equipment supplier imshackled from the AT&T group in 1996, surged past Wall Street expectations when it announced its quarterly results vesterdav.

Earnings, excluding one-time charges, were equivalent to \$1.72 a share, far exceeding the \$1.52 consensus estimate of analysts polled

AT&T and taken public in April trate their orders among a few sup- named chairman yesterday. 1996, jumped more than 6 per cent pliers. in morning trading on the New York Stock Exchange. The shares, which traded up \$4% at \$80%, val-

US long-distance carrier. Since it became independent, Lucent has won more business Lucent shares, which have tri- the largest US telecoms equipment in technology to improve their one-time charges to do with the small but growing.

While medium-sized equipment makers such as ADC have blamed sluggish demand for disappointing ued the company at \$50.8bn, about results, Lucent reported that operahalf the market capitalisation of tors were gearing up for heightthe remaining AT&T, the largest ened competition as 1996 deregulation law takes effect.

ouarter.

and other telecommunications from the growing readiness of McGinn, president and chief execution Enterprises and other deals. equipment was spun off from large telecoms operators to concentive of Lucent, who was also

> competitive local exchange carri- year ago. They were boosted by ers, the small companies which are sales of both switching equipment challenging the regional Bell com- and wireless systems, in which panies, doubled quarter-on-quarter, Lucent had lagged behind competialthough the precise amount was tors such as Ericsson of Sweden.

"More and more, service provid- in the US translated into a 31 per centred of telecoms equipment supers who are facing liberalised and cent increase in net income, to pliers, experienced no slowdown in from carriers other than AT&T. As deregulated markets are investing \$1.12bn in the quarter, excluding Asia, where its market share is

pled since the maker of switches company, it has also benefited competitiveness," said Richard company's acquisition of Livings-

Revenues in the quarter, the first of Lucent's financial year, In addition, Lucent's sales to the increased to \$8.72bn from \$7.93bn a

Lucent, which as a former AT&T Lucent's growing market share subsidiary is among the most US-

US banks post strong final quarter

By John Authors in New York Mixed bag

US commercial banks continued to report strong performances in the fourth quarter of last year, even though the Asian crisis sharply dented profits at the largest international banks.

Bad credit-card debts - a serious problem for the industry in the past two years - appeared to have reached a plateau, while both retail and corporate banking turned in strong

from the same quarter of year. 1996 to \$850m. This was Ne mostly due to trading losses

syndication rose 20 per cent quarter. year-on-year increase for the est bank, reported net remainder,

Custor ended 51/19/97

	Ne	ıt incon	ne (Sm)			
	1997	1996	% change	1997	1996. ,9	o change
Bene Ose 1	243	370 c	380	0.70	The same	
Chase Manbetha	74.0	836.0	+4.5	. 1.84	1.74	+11.5
Oldens	BLD.	997.0	100	-	190	120
JP Morgan S	271.0	419.0	-36.0	1.33	2.04	-34.0
Walls Pargo	98 6	1220	+42 Or	340		-2020

saw operating earnings for banking stood at \$180m, up the quarter drop 6 per cent 70 per cent on the previous

Net charge-offs from its \$29.3bn credit-card portfolio caused by the Asian came to 5.45 per cent, ahead currency crisis. Its domestic of the 5.11 per cent recorded US businesses stayed strong. in the final quarter of 1996 Chase's total fees for loan but a decline from the third

Citicorp, the second larg-

Chase Manhattan, the fourth quarter was 68 per income of \$1.1bn for the largest US bank by assets, cent. Income from mortgage quarter, up 7 per cent year on year, it was also affected ket share. Operating by Asian developments. which it estimated cut profits by \$250m.

Net income from credit cards worldwide was \$209m. down \$75m from the 1996 quarter. Emerging markets accounted for \$48m of this decline, while the US accounted for the bulk of the

Citicorp is the largest US profits increased 28 per cent credit-card issuer, but from \$370m a year earlier to reduced its total number of \$474.8m. It said credit card cards during the year by 2 charge-offs had been per cent, as part of a cam-reduced. By mid-session its paign to improve the quality shares were up \$\frac{1}{16} at \$54\frac{1}{16}. of its portfolio. Total charge-Wells Fargo, which has offs were 5.64 per cent of the

been unpopular with invesportfolio, up slightly from tors for the past year after its disappointing progress in 5.58 per cent in the previous integrating its 1996 acquisi-These developments were tion of Los Angeles-based balanced by a strong perfor-First Interstate, reported net income of \$298m for the ing, both in Asia and in the quarter, more than double US. The bank continued to the \$123m it recorded in the invest aggressively in emergsame quarter of 1996. ing markets, as part of its strategy of building up mar-

However, analysts were disappointed by the bank's efforts in reducing expenses. Total non-interest expenses for the quarter were \$1.09bn, \$1.48bn recorded a year sar-Ohio-based Banc One lier. But expenses for the pleased the market with year, at \$4.54bn, were only results showing continued marginally below 1996's low expenses following its \$4.63bn. The bank's shares acquisition of First USA, a gained \$2% at \$324%.

Investment firms ahead despite Asia

By William Lowis In Naw York

Merrill Lynch, the US investment bank, warned the investment banking industry in 1988.

Reporting fourth-quarter earnings for 1997 in line with analysis' expectations, David Komansky, chairman and unsettled conditions in US 1996 markets, could indicate a

INCOME STATEMENT

Surplus on realisation of investments.

Profit from and smalling

Income from fees and other warres

Earnings/floss) per share - cents

- absurbing - Rm

"Linguisted

However he said Merrill intended "to pursue the strategic opportunities for profityesterday the Asian markets able growth that can be of 1997. could cause difficulties for available even in difficult markets". Last year Merrill bought Mercury Asset Management, the UK's leading fund management group, for \$5.2bn. The deal took its assets under management to chief executive, said "the \$446bn at the year end, up

dy

23,3

210

ment for our industry in \$1.17 diluted, compared with \$1.32 basic and \$1.14 diluted in the fourth quarter of 1996 and \$1.46 basic and \$1.25 diluted in the third quarter

Merrill said its principal transaction revenues were adversely affected by market declines in Asia and other emerging markets and fell by 19 per cent from a year ago to \$603m. However it said trading declines were recent events in Asia, and from \$212bn at the end of partially offset by increased revenues in equity deriva-Earnings per common tives, foreign exchange and price increased \$75 to \$687. nadities trading In

CONSOLIDATED

Investment properties......

Min-euro dureholders' interest

Total back value of investments

Net pasets (as valued)

The final dividend No. 49 of 150 cents per share in respect to the year ended 40 June 1997, absorbing \$15 - million, was declared on 19 August 1997 and pend on 1 October 199

a resource continuings are wated after the exclusion of the surplus of R41 million on the realisation of the Group's interest to Deckmad Gold Mining Company Limited Ciberlonal's. The sale of the Gold Fields Property Company Limited assets produced a surplus of R11 million which is installed in bouldine common. The decrease in bouldine commons relative to the headline commons from the field in the six manufa to December 1986 is largely attributable to a substantial decline in the dividends received from the Group's gold mining investments.

Major investments made during the six months were Elandround Gold Mining Company Limited ("Elandround") (RTL, million), which resulted from the scheme of arrangement between Elandround and Deedlead, Directoneen Consolidated Limited (RR29 million) and Klord Gold Mining Company Limited (RR4 million). The bank value of the Deedlead shapes seed in exchange for the Elandround states was R70 million.

All the production required to implement the transportance associated with the formation of Gold Fields Limited were proved by the required majorities at general meanings of shareholders of Gold Fields of South Africa Limited, Goldson Limited, Gold Fields of South Africa Limited, Gold Fields of South Africa Limited, Goldson Witer Limited Filler Goldson of Goldson of South Africa Limited, Golds

Mining Company Limited and Orya Gold Huddings Limited, all held on 14 January 1998. Accordingly, applications will be made in the High Court of Such Africa (Wawateersand Local Decision) on 2" January 1998 to successful the schemes of arrangement. Sharehalders will be advised by way of a press amount emers on 40 January 1998 of

6. Prospects
Insure form requiring sources a likely to be under pressure in the nest we mounts as a result of the week parter currently presenting. The Group will, however, realize substitute, not of restrictioning and transaction costs, on the sale of the poors receively for the horizont or Guid Fields Limited, as and who all the conditions precedent had likely

Devoted No. 100 of Ni cents per ordinary slave has been declared in South Airs an currency, possible to member, registered in the backs of the company at the class of bias in 6 February 1998.

DECLARATION OF INTERIM DIVIDEND

Livesd - bank value

- excess over book value

- market value

early trading Merrill's shares ties research, sales and tradfell more than 5 per cent to ing operation in London. It

expenses in emerging mar-

kets reached \$535m, up 21

per cent after the effect of

specialist credit-card issuing

bank early last year. Net

currency fluctuations.

Donaldson Lufkin & Jen-Axa-UAP, the French insurance group, reported net earnings per share of \$1.53 fully diluted for the fourth quarter of 1997, marginally above analysts' expectations. share in the fourth quarter of 1996 and \$1.85 in the third quarter of 1997. DLJs share

*Ar

178

2 399

2 + 1

10 972 /4 593 // 226

9.276 388

2 316

1 835

2 431

is also expanding its mergers and acquisitions team in rette, the US investment Europe, high-yield and pribank majority-owned by vate equity operations, and opening offices in Paris,

Moscow and Frankfurt. PaineWebber, the securities house, reported fully diluted earnings per share of 68 cents for the fourth quarter of 1997 compared with 57 cents in the same period a year ago and 70 cents in the third quarter of 1997. In American retail and office early trading PaineWebber's

Barrick stake sold for

By Scott Mantson

TrizecHahn, the Canadian real estate group, said yesterday it was selling almost half its stake in Barrick, the gold producer, in a bought deal worth an estimated US\$520m.

Sources involved in the deal said the Barrick shares were snapped up by investors who believed bullion prices had hit bottom and were recovering.

TrizecHahn, the real estate arm of gold baron Peter Munk, who also controls Barrick, previously said it would sell its Barrick stake and use the proceeds for further real estate acqui-

TrizecHahn, which owned a total 15.7 per cent stake, said the sale would not affect its remaining Barrick shares, which are pledged as collateral under the terms of the real estate company's exchangeable deben-

Ross Brennan, TrizecHahn vice-president for investor relations, said the company decided to divest its Barrick holdings in order to replenish cash flow following its acquisition last week of Bell Canada's commercial properties for an estimated C8750m (US8522m).

The company has acquired US22.1bn worth of North property since January

Stronger dollar cuts into sales at drugs groups

By Richard Waters in New York

The rise of the US dollar wiped more than 10 per cent from the international sales of both Johnson & Johnson and Pfizer in the final quarter of last year, according to figures published yesterday by the two US healthcare

Pfizer, one of the most consistently successful of the big pharmaceuticals companies, added that the dollar was likely to weigh heavily on its performance again this year. Sales for the year would be 3 per cent below 1997 if the dollar remained at its present level, the com-

In spite of the effects of the currency movements, both notched up double-digit gains in earnings per share in the latest quarter on the back of successful new prod-

Both companies were helped in part by lower effeclift to earnings. However, \$3.3bn, or \$2.47 a share. both also reported higher spending on research and development to boost their vear rose 14 per cent to share,

\$1.9bn, while at Johnson & Johnson it increased 12 per cent to \$2.1bn.

At Johnson & Johnson, sales during the final quarter were \$5.6bn, a rise of 2.3 per cent. This represented a slowdown from earlier quarters and left the company with annual sales of \$22.6bn up 4.7 per cent during the year. Pharmaceuticals were again the engine behind the company's growth during the quarter, with a 5.5 per cent advance in sales after currency effects to \$1.9bn.

At Pfizer, revenues rose to \$3.5bn in the latest quarter and \$12.5bn in the year, both increases of 11 per cent. Some \$163m of sales in the latest period were generated by a new venture with other companies to sell Lipitor, a cholesterol-lowering drug, and Aricept, a treatment for Alzheimer's disease.

Johnson & Johnson lifted net income 7 per cent in the quarter, to \$630m, or 47 cents a share. For the year, earntive tax rates, which gave a ings increased 14 per cent to Pfizer's net income rose 11

per cent in the quarter to \$558m, or 43 cents a share, pipeline of future drugs. At and 15 per cent for the year Pfizer, R&D spending for the as whole to \$2.2bn, or \$1.70 a

LGT receives multiple offers

More than one buyer is understood to have made an offer for the whole of LGT Asset Management, the fund management group with operations in both the US and Europe. The deadline for offers closed at 5pm New York. time on Monday and Prince Philip of Lichtenstein and other royal family members who own LGT were considering the bids yesterday.

A decision on the fund manager, which has assets of about \$65hn worldwide, could come as early as today, although advisers to the deal said that some offers could involve complicated provisos.

Offers are understood to have been made by US and European groups including American Express, Deutsche Bank, Credit Suisse and the Bank of Luxembourg.

Jane Martinson

MANUFACTURING

Eaton, TRW surprise Wall Street

Eaton Corporation, the controls and automotive component maker, and TRW, a diversified industrial manufacturing group, yesterday announced better than expected earnings for the final quarter of 1997. But they made some cautionary remarks about impact of upheaval in Asia.

Eaton made an after-tax profit of \$129m in the final three months, up from \$66m a year ago. This took after-tax profits for the full year to \$410m, compared with \$349m previously. Sales rose from \$6.96bn to \$7.56bn. while earnings per share were up from \$4.91 to \$6.45 (ahead of special items) - a couple of cents higher than analysts' average projections.

The company said it faced "robust conditions" in the industrial and commercial controls markets, and that it was "too early to determine the impact of the Asian economic crisis on our customers' demand for front-end processing equipment" on the speciality controls division.

TRW reported a 15 per cent increase in full-year profits from continuing operations at \$499.4m, on a 10 per cent sales gain at \$10.5bn. Earnings per share were \$4.03, compared with \$3.27 (ahead of special charges). TRW said that results had been good "in virtually every dimension", although profits in the fourth quarter from its automotive interests dipped slightly. This was partly blamed on weakness in the Asia-Pacific and Brazilian regions. Nikki Toft, Chicago

ROCKWELL Chairman 'confident' of advance

David Davis, chairman of Rockwell International, said yesterday that good economic conditions in the US and Europe had left the company confident that it would report higher sales and earnings this year, in spite of the uncertainties in Asia. His comments came as the California-based factory automation and aerospace equipment company topped Wall Street expectations with earnings per share of 74 cents before a one-off charge for the first quarter. The 6 per cent advance was due to a 6.3 per cent reduction in the number of shares outstanding, as the company continued to buy back its own stock.

Net income before the charge, which reflected a writeoff of purchased research and development, was \$152m on sales of \$2bn, compared with \$154m on sales of \$1.9bn the year before. Including the charge, reported earnings fell to \$89m. Rockwell recorded higher operating earnings in its automation and avionics businesses, which recorded a 15 per cent increase in profits between them, to \$218m. This was offset by a 47 per cent fall in earnings from semiconductors, to \$43m. Richard Waters, New York

Enron advance fuels share rise

Shares in Enron climbed nearly 5 per cent yesterday morning as the Houston-based energy group best most Wall Street forecasts with sernings of 53 cents a share in the final quarter, a 10 per cent rise on the same period a year before. Net income rose 29 per cent to \$169m.

The stronger earnings came at the end of a year in which Enron had taken after-tax charges of \$537m, moves which the company said would remove some of the uncertainty of contingent liabilities from its balance sheet and leave it with a stronger platform from which to grow. The charges reflected the settlement of a dispute over the J-block gas contract and depressed margins in the MTBE. business. They were offset in part by a \$66m after-tax gain from asset sales. Full-year net income fell from \$584m, or \$2.16 a share, to \$103m, or 32 cents.

■ HOTELS

Hilton hits revised forecast

Hilton Hotels, which at the end of last year saw its \$9.5bn hostile bid for FFT hotel and casino group defeated, yesterday reported fourth-quarter earnings before non-recurring charges and an extraordinary loss of 25 cents per.

In December, Hilton shocked Wall Street by announcing that it expected fourth-quarter earnings to be between 25 cents and 29 cents per share, well below analysts' expectations of 37 cents a share. In the same period the year before, Hilton achieved earnings per share of 24 cents.

Hilton said that the non-recurring items in the quarter resulted in a pre-tax charge of \$119m, or 28 cents a share. on an after-tax basis. It included a write-off of expenses related to the company's failed attempt to acquire ITT.

Northwest sees further growth

Northwest Airlines said it saw more earnings growth in 1996 but it was scaling back operations in poor-performing Pacific routes. The company reported fourth-quarter oper-ating net profits per diluted share of \$1.06, compared with 19 cents a year earlier and a First Call estimate of 94 cents. Northwest said it was comfortable with analysts' estimates that put the airline's 1998 earnings at \$5.60 a share. First Call's consensus projection was \$5.68.

Costs check Monsanto advance

By Nikki Tait in Chicago

Partly as a result of a sharp chemicals arm as a separate expenditure and partly Monsanto, the US pharmaagriproducts group, yesterof \$294m. or 48 cents a share.

\$413m, or 69 cents a share.

Sales on the continuing busi-

nesses rose from \$6.3bn in

1996, to \$7.5bn last year.

rise in new product-related listed company last year and the in-process R&D because of write-offs related write-offs were excluded, net to acquired R&D activities, profits last year would have amounted to \$749m, or \$1.23 ceuticals, blotechnology and a share. That would have compared with \$670m in day reported after-tax profits 1996, after similar adjustfrom continuing operations ments, or \$1.12 a share. These adjusted figures.

This compared with earn- moreover, are struck after ings in the previous year of the very large increase in "growth-related" spending, incurred as the company pushes for new products in both the genomics and phar-But the company said that macenticals fields.

if the costs of restructuring if the costs of restructuring Monsanto said that year's rise: "This investment the group – it spun off its growth-related expenditures is targeted for the rapid cent, from about \$800m to executive.

earned by the group.

expected this new productrelated spending to rise fur- said it was anticipating that

- which encompass both commercialisation of the R&D and the marketing and more than 60 potential new technical services to support products in our pipeline," this - rose more than 60 per said Robert Shapiro, chief The company cautioned,

On an earnings per share however, that the Asian ecobasis, that expenditure nomic downturn could have worked out at about \$1.51 a an impact in 1998. Sales to share - overtaking the the region are less than 10 underlying \$1.23 a share per cent of the total and the area accounts for a smaller Monsanto added that it proportion of profits. Nevertheless, Monsanto

ther in 1998, although it the problems "would detract declined to quantify the somewhat from earnings in anticipated scale of this 1995.

The regester of members will close from " to 1 s february (Sett, inclusive 75 Fox Street Johannesburg 2001 COLD FOR DS GROUP

The standard conditions relating to the payment of distributions of description of the state transfer of the London office of the company

Gold Shell One Limned, recovered inferred to a Guider, has been reasoned Cold Fields Limited

By order of the Board: J F Rupert (Charman) A J Wright (Chief Executive Officer)

Copyion SQ

THE SAME THE PARTY · STEER 一个好 经基础 2 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1 ... 1

The state of the s - TO STROTT The Profession Brown a charge and Hapfre in Caja Mad THE PROPERTY AND ADDRESS OF THE PARTY AND ADDR

-: 4

11.0 TO THE SECOND to Market ार क्रिक्**र कर**् 18名は黒黒 17 - 22 Maria Cost Carlo こころ 大力が多く機 THE PERSON NAMED IN

25.5

100 m 300 2 7K21 TO STATE OF THE ST

134 Name A Lainty ! TO THE REAL PROPERTY. NET NO DE

lest job round favour The second of appendix The second second

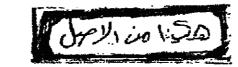
The state of the s Service of the Control of the Contro Topic of Particular Control of Particular Co Harry Control of the forecasts return

Sales Press 18 and The same of the sa And the second s and the same of the same Tion than #

Hüls in merge The Commission of the Commissi Secretary and sear of the green end militaires

ingles of the company a forest delical crisis in Asia being con

The two opening and the two openings are the two op Consider that we will be a series of the series that we will be a series to the series of the series that we will be a series to the series that we will be a series to the series to th



SNESDAY JANUARYS

Tend of the second of the seco Seed of the seed o

N surprise Wall Story Mary of the second seco Manager Control of the Control of th planting the second sec

Marie Committee of the ATTENDED TO THE STATE OF THE ST Security of the security of th AND THE PROPERTY OF THE PARTY O No. STATE OF THE PARTY Section 2. CLI de la companya della companya de Comp one And the state of t confident of advance

and warre Control of the second s egile (Control of the contro TO I THE THE PARTY OF THE PERSON

111425

- 30 1022

1995

1 ATM 4 47 3

and the second

nce fuels share rise 14771 4

Mar alternation of the second AND THE RESERVE OF THE PARTY OF THE PARTY. Residence of the state of the s Since the second second A COLUMN TO THE REAL PROPERTY OF THE PROPERTY evised forecast 19 (19) (19

Element - London Marie S a graduat graduat a substitution and a substitution and a substitution and a substitution and a substitution The substitution and a substitution THE REPORT OF THE PARTY OF THE A STATE OF THE STA es further growth

أشيهاي

145.25

P.

4-11-

-5.

4. 3.60

h 31 See Long

DM2bn bond Allianz, Germany's largest insurer, yesterday took a first step towards divesting its stake in Deutsche Bank in a DM2bn (\$1.1bn) convertible bond issue. Proceeds from the bond, which is exchangeable into Deutsche Bank shares at a 25 per cent premium to yesterday's closing price, will go towards Allianz's planned acquisition of AGF, the French insurance group. "This is part of our plan of divesting our non-core

Allianz issues

EUROPEAN NEWS DIGEST

assets so we can focus purely on insurance," said Stephan Theissing, head of corporate finance at Allianz. The German insurer has a stake of between 5 and 10 per cent in Deutsche Bank. Yesterday's offering represents up to half of the Allianz stake in Deutsche Bank should investors convert the bond into shares.

Allianz also plans to raise DM5bn in a series of equity issues and about DM3bn in bond issues to help raise the DM9bn it needs to acquire 51 per cent of AGF. The five-year convertible bond will pay a coupon of 3 per cent. The issuer can call the bond after three years. Allianz said the transaction had no implications for its 10 per cent stake in Dresdner Bank.

Yesterday's deal is the mirror image of a DM866m convertible bond issued by Deutsche Bank last year which investors can convert into shares in Allianz. Deutsche Bank owns a 10 per cent stake in Allianz. The deal was lead managed by SBC Warburg and Dresdner Kleinwort

INSURANCE

Mapfre in Caja Madrid deal

Mapfre, Spain's leading insurance group, has signed a strategic agreement with Caja Madrid, the Madrid-based savings bank, which will aid its expansion in Latin America where it is already the biggest foreign-owned insurer. The agreement, signed by Mapfre Mutualidad, a member owned motor insurance specialist which controls Corpora ción Mapfre, the listed holding company, is the first domestic alliance between an insurer and a financial institution. Caja Madrid, the sixth-ranked financial group in Spain, lacked a strong insurance business to compete with those developed by rivals in association with non-Spanish insurance groups. Caja Madrid will distribute Mapfre products in Spain

and take small stakes in the insurer's Latin American subsidiaries. Mapfre will acquire 20 per cent of the saving bank's insurance arm. The agreement also allows Caja Madrid to acquire an initial 20 per cent of Banco Mapfre, a banking unit with 129 offices controlled by the insurance group, with an option to build up its equity to 51 per cent. Bankinter, the largest of Spain's mid-sized banks, lifted 1997 net attributable profit 5.2 per cent to Ptal8bn (\$118m) - in line with forecasts. Earnings from fee commissions and trading operations, together with lowered provisioning, offset a 1.5 per cent drop to Pta36.5bn in net interest

A strong balance sheet saw a 31.3 per cent increase in its customer deposits and a 27.2 per cent rise in its loan portfolio, reflecting domestic economic growth and rising consumer confidence last year. Bankintar, one of the most highly capitalised banks in Spain, said bad debts represented 0.65 per cent of its total lending and that coverage of non-performing loans stood at 183.2 per cent. Tom Burns, Madrid

Esselte pictures frame sale

Esselte, the Swedish office and labelling products group undergoing a strategic revamp, said yesterday it expected to sell its picture framing business by mid-year. Jan Kvarnström, chief executive, said seven companies had expressed interest in its US-based Nielsen & Bainbridges subsidiary.

Nielsen & Bainbridge had operating profits of SKr159m (\$19.7m) last year on sales of SKrl.4bn. Blackstons, the US investment institution, is advising on the sale. Esselte, which yesterday reported a drop in full-year pre-tax profits from SKr429m to SKr222m, recently split its operations into three companies, citing a lack of synergies. The group said it also planned to spin off its labelling products

Essette said 1997 profits had been held back by a SKr252m rationalisation and restructuring charge. Mr Kvarnström, who took over at Esselte in September, has shaken up the group's office products division - its biggest unit – by scrapping its regional structure. Operating profits in office products declined from SKr462m to SKr242m on sales up from SKr7.6bn to SKr8.7bn. Excluding exceptionals, earnings were SKr406m. Greg McIvor, Stockholm

SBC/UBS MERGER

Latest job round favours SBC

Executives of SBC Warburg Dillon Read got the lion's share of the latest round of appointments at the combined investment banking subsidiary to be created by Swiss Bank Corporation's merger with Union Bank of Switzerland. SBC staff gained about three quarters of the 80 jobs announced yesterday. Another 20 at the same managing director level have yet to be filled. The banks hope to complete the list by mid-February. The merger is expected to cost 6,000 investment banking jobs, more than half in

Appointments included Robert Gillespie (SBC) and Malcolm Le May (UBS), co-heads of European corporate finance; John Costas (UBS) and Stephen Oristaglio (SBC), co-heads of fixed income; Rory Tapner (SBC), head of equity capital markets; Alan Hodson (SBC), global head of equity distribution; and T.J. Lim (UBS), head of rate derivatives and structured products.

Clay Harris, Banking Correspondent

AFX News, Paris

AIRCRAFT

Snecma forecasts return to profit

Snecma, the French aircraft engine group, said yesterday it would report a net profit of "slightly more than" FFr500m (\$81.3m) for 1997, compared with a loss of FFr280m a year earlier. Sales rose 23 per cent to FFr23bn. Jean Paul Bechat, chairman, described 1997 as a "good year" in which the company exceeded its targets. He said 1998 sales should rise by more than 20 per cent to FFr28bn, and that the company expected earnings to rise.

CHEMICALS Degussa, Hüls in merger talks

Merger talks between Degussa, the German chemicals, metals and healthcare company, and Hüls, the chemical subsidiary of Veha, will start next month, Uwe-Ernst Bufe, Degussa cheirman, said yesterday. His comments follow Vehe's acquisition last year of 38.4 per cent of

Veba, an energy and industrial group, has made clear that it wants to combine the two operations. Mr Bufe said Degussa was "open" about a merger with Hüls. However, Veha had agreed that Degussa should remain a quoted company. "We are confident that a further strengthened Degussa will be created," he said. Degussa said pre-tax profits in the first quarter of this year jumped 26 per cent to DM145m (\$78.9m), with sales up 15 per cent to DM4bn Mr Bufe repeated the company's forecast that profits would rise this year, although he said this would depend on the financial crisis in Asia being contained. Andrew Fisher, Frankfurt

COMPANIES AND FINANCE: EUROPE

Aircraft prices down a fifth, says Dasa

By Graham Bowley in Munich

fifth over the last two years.

The admission, by one of effect on aircraft sales. the four partners in Europe's Airbus civil aircraft consortium, is the most precise estimate yet by a leading manufacturer of how and sales last year.
cut-throat rivalry in the He said the strong industry is eroding prices.

It is evidence that producers are sacrificing profits as they battle for a share in world markets. Dasa cited Boeing, the US manufacturer which is Airbus's arch-rival, as the chief culprit.

measures had produced a result "beyond all expectations".

Manfred Bischoff, Dasa chief executive, said. "There is a crumbling of prices in Fierce competition between certain markets. The prices aerospace producers has cut are dictated by Boeing. We

world aircraft prices by a are followers in this case." He also warned that the Daimler-Benz Aerospace of Crisis in Asian economies Germany said yesterday. crisis in Asian economies would have a damaging

> Mr Bischoff delivered the warnings as he revealed that the Munich-based company had achieved record orders He said the strong dollar.

and defence interests as well DM19.1bn.



an upswing in aircraft Manfred Bischoff: The prices are dictated by Boeing. We are followers in this case' demand and cost-cutting

as military and civil aircraft

But Mr Blschoff cautioned - had returned to profit. the decline in prices would Sales rose 20 per cent to hit profits and the company All Dasa's six business DM15.3bn (\$8.3bn), and in 1998 would not repeat this units - including satellite orders by 14 per cent to year's strong performance, which he described as a nues and in line with the own right.

"firework display".

"This fall in prices in all the major markets means French legal entity that does that profits cannot be increased in line with reve-

recovery in the value of the dollar." Mr Bischoff said. He conceded that Dasa had failed to meet the 12 per cent target for return on capital required by its parent. although he said it was

expected to meet the target Mr Bischoff, who is due this year to become the chairman of the Airbus supervisory board, said Airbus was on course to become a limited company by the

start of next year. At present Airbus - owned by Dasa. Aerospatiale of France, British Aerospace and Casa of Spain - is a make profits or losses in its

GM comments 'sour' Opel five-year job deal

By Andrew Fisher in Frankfurt

Adam Opel, the German subsidiary of General Motors of the US, yesterday announced a package of investments, job cuts and wage curbs to improve efficiency and hold down cost growth over the

been soured by comments from GM executives on the need for job

reductions of up to 30 per cent in Europe. Opel's European works council had demanded an explanation, said

council. Under the new job security agreement, Opel has promised there will be no compulsory redun-But employee representatives dancies up to the end of 2002. Howsaid the 10-month negotiations had ever, it said it expected a reduction of up to 4,000 jobs at its main

Rüsselsheim plant near Frank-

ment, non-replacement of workers Rudolf Müller, head of the German flexibility.

Opel employs nearly 47,000, with a reduction of about 1,200 planned for 1998, mainly in Rüsselsheim, The company has also pledged to

invest at least DM750m (\$408m) over four years to modernise the Opel's competitiveness. Fewer of widespread speculation that he Rüsselsheim plant. Production will

October 1997

This would be achieved by volun- further DM450m is envisaged for a designs and advances in technoltary means, such as early retire- new engine plant at Kaiserslauten. ogy and productivity. On the labour side, the agreewho leave, and greater working ment states that employees will forgo 1.25 percentage points of could live - "not a victory (for the agreed annual wage increases, thus halving the 2.5 per cent rise agreed

for this year. people were now needed to build will be replaced this year.

October 1997

August 1997

furt, which employs nearly 25,000. be held at 275,000 vehicles a year. A cars as a result of new vehicle Mr Müller called the agreement a compromise with which all sides

> defeat". He spoke in support of Mr Her-David Herman, chairman, said man, now in the second year of a the package would strengthen second five-year contract, in spite

works council], but also not a



October 1997

ENERGIS

US\$440,000,000 Initial Public Offering

Co-Lead Manager



US\$6,800,000,000 Initial Public Offering

Co-Lead Manager



US\$150,000,000 Debt Offering

Lead Manager



US\$4,000,000,000 Initial Public Offering

Co-Lead Manager



161

US\$1,557,000,000 Secondary Offering

Joint Global Co-ordinator



US\$10,900,000,000 Secondary Offering

Joint Lead Manager

July 1997

April 1997



US\$265,000,000 Debt Offering

Co-Lead Manager



Sale of German CATV assets to EWT Group

Sole Financial Adviser



US\$600,000,000 Exchangeable Bond

Joint Lead Manager

May 1997



US\$135,000,000 Senior Subordinated Convertible Bond

Global Co-ordinator

CANAL+



US\$919,000,000 Acquisition of 49% stake in Telekom Srbija

Sole Financial Adviser to STET



US\$190,000,000 Sale of The Hague's cable network to Casema

Sole Financial Adviser

Newtelco

Sale of 49% stake to

BT/Tele Danmark

Sole Financial Adviser

US\$2,200,000,000 Acquisition of NetHold

Financial Adviser

mobilkom

US\$700,000,000 Sale of 25% stake to STET International

Sole Financial Adviser



Joint Lead Manager

Global leadership in telecoms investment banking.



Union Bank of Switzerland

UBS is the marketing name for Union Bank of Switzerland and its subsidiaries worldwide. In the above transactions either Union Bank of Switzerland or a subsidiary acted in the UBS is the marketing name for Union Bank of Switzerland and its subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either Union Bank of Switzerland on a subsidiaries worldwide. In the above transactions either the above

ASIA-PACIFIC NEWS DIGEST

United Distillers

in whisky switch

United Distillers, the spirits arm of the former Guinness

group, is to pull out of marketing its Johnny Walker and

Old Parr brands of whisky in Japan, as ripples from last-

year's merger of GrandMet and Guinness to form Diageo

Wines and Spirits, a joint venture in which United Distill-

spread to Japan: Handling of the brands will be transferred to Jardine

ers and Moet Hennessy, part-owned by Guinness, both have stakes, together with Jardine Matheson, the Hong

Kong-based trading company. United Distillers will close

its Japan subsidiary next month, with the loss of 170 jobs but will ask Jardine Wines and Spirits to take on all its

The Johnny Walker brand has been suffering from decreasing prestige in Japan as whisky prices have tumbled over the past decade, and parallel imports have hit

But there are hopes that the whisky market could pick

up this year as a result of a tax cut last October, forced

Japan's duty on whisky closer to that levied on shochu, a

locally produced strong spirit. Further reductions in the

through by the World Trade Organisation to bring

sales from official distributors.

whisky tax are planned.

Toshiba cuts profit forecast to Y10bn

By Michiyo Nakamoto in Tokyo

Toshiba, one of Japan's leading electronics companies, warned yesterday that group pre-tax profits would plunge to Y10bn (\$77.6m), compared with its previous forecast of Y95bn. It blamed poor sales of personal computers in the US coupled with weak demand for many of its mainline products in Japan and the sharp decline in semiconductor memory prices.

The latest forecast, which compares with consolidated pre-tax profits of Y125.5bn in the year to

Kingdom's last signifi-

cant monopoly in

Hong Kong catapults the ter-

ritory's telecommunications

sector into the ranks of the

of the direct-dial interna-

tional telecoms monopoly -

now held by Hongkong Tele-

com, which is controlled by

Cable and Wireless of the

UK - Hong Kong is seeking

to guarantee its position as

Asia's leading telecoms hub

and to run the industry in

line with the worldwide

for most consumers as com-

petition should translate

into cheaper bills. It is also

seen as good for Hong Kong,

whose role in Asian telecoms

will be enhanced by the

But there is less consensus

on whether or not the deal is

good for Hongkong Telecom.

erstwhile monopoly and still

the dominant operator in

both the domestic and inter-

kong Telecom receives a

compensation package val-

(US\$866m) in cash; it has

advance knowledge of how

straints lifted. It also has a

for the onslaught of competi-

core activity which gener-

ates an estimated 50 per cent

return on investors' capital.

"Competitors will flood the

market," says Ni Q. Lai,

regional telecoms analyst at

Deregulation is rapid. The

NEW YORK

January 1998

ued at about US\$1.1bn, not in name, from the begin-

the deregulation of the duced. With ISR, an interna-

industry will pan out; and it tional operator can lease

has certain pricing con- international circuits and

nine-month grace period in It requires minimal equip-

which to restructure itself ment or capital expenditure.

delivery fee payments and undercutting British Tele-

wave of competition in a the latter's attempts to

ning of next year, when

international simple resale

(ISR) of voice traffic is intro-

resell capacity to end-users.

At the same time, how is also ISR which has of revenues on calls gener-

faces an unprecedented communications, in spite of accounting rate system -

reduce its international

According to Adam Quin-

ton, regional telecoms ana-

lyst with Merrill Lynch in

Singapore, this is because

the economics are so appeal-

ing. "The explosion of US

resale [currently most preva-

We are pleased to announce the election

of the following officers

Howard Conroy

Cary J. Davis

Kenneth H. Kranz

Nicholas J. Lowcock

John W. MacIntosh

Eve I. Morton Frederick Stolar Vice President

Julio R. Ortiz

Assistant Vice President

E. M. WARBURG, PINCUS & CO., LLC

Frank M. Brochin

Vice President

WARBURG, PINCUS VENTURES, LLC

Roberto Italia

Vice President

E. M. WARBURG, PINCUS & CO.

INTERNATIONAL, LTD.

E.M. WARBURG, PINCUS & CO., LLC

LONDON

HONG KONG

ever, it sees a reduction in allowed Swiftcall to continue ated by competitors.

HK\$6.7bn

On the positive side, Hong-

reduced rates.

national markets.

including

This, analysts say, is good

trend of liberalisation.

With the phased removal

developed world.

of the downturn in the company's

Toshiba's forecast was worse than most analysts had expected. "They don't match NEC in terms of semiconductor profitability, while consumer electronics is not their core business," said Scott Foster, industry analyst at ING Barings. He said the key to Toshiba's rebound depended on whether a recent rise in semiconductor prices was sustainable.

Group sales are expected to fall 2 per cent to Y5,350bn, compared DVD-Rom drive, have struggled to

Cheaper calls down the line

monopoly ends, in practice if lent on the Mexico, Canada

The US experience shows nues. The switch to ISR will

ISR

ISR to be hugely popular; it mean it takes a smaller slice

and UK routes] is just

another manifestation of

industry liberalisation

unleashing new forces to

attack the high returns still

available in the interna-

tional telephony market," he

the hit will come on reve-

For Hongkong Telecom,

bypasaes

other for completing callback operators, whose

whereby carriers pay each

international calls - which

was a subject of dissent. The

US Federal Communications

Commission was proposing

to slash the rate paid to

Hong Kong and other Asian

carriers; under the newly

liberalised scenario, it will

and sales last year of Y5,453.4bn.

Y60bn, against Y67.1bn last year. Toshiba expects to make a loss in its PC business. It pointed to of the home market for desktop severe pressure in the US computer. PCs, but said it would concentrate market, where its top-end desktop PCs had failed to make inroads, and a sharp fall in PC demand in

Japan. Sales are forecast at

disappear altogether.

Nonetheless, Hongkong

Telecom retains certain

advantages. "It puts it on a

more level playing field

against the competition, and

with its size Hongkong Tele-

com is well placed to exploit

that," says David Gibbons,

telecoms analyst at HSBC

competition. Its market low suit.

then bounces it back as an ploying it elsewhere is a

Mitsubishi Electric aims to national call services at

good move.

James Capel in Hong Kong.

share of international traffic

has been steadily eroded by

mechanism of routing the

call via a computer which

incoming (rather than outgo-

Callback services are

ing) call exploits a loophole

offered by the competing

become the first electronics

company to enter Japan's

international telephone mar-

ket by leasing lines from

KDD, the leading interna-

tional carrier, writes Mich-

Mitsubishi said its 100 per

cent-owned subsidiary Mit-

subisbi Electric Information

Network (Mind) planned to

enter the international sim-

ple resale business next

iyo Nakamoto in Tokyo.

in the IDD monopoly.

Y700bn, against Y740bn last year. Toshiba's desktop PCs, which have multimedia functions and a

HK telecoms joins the modern era

End of Hongkong Telecom's monopoly brings competition and new technology

have captured market share in the Net profits are expected to fall to US. "Our high-end products did not Y10bn from an earlier forecast of match market needs," Toshiba

Toshiba denied it was pulling out

In the notebook market, the company has suffered from prices declines triggered by falling prices of liquid crystal display panels and memory chips.

The sharp falls in semiconductor memory prices are also putting

fixed-line operators as well

as several smaller dedicated

companies such as CTL Mr

Gibbons estimates that

Hongkong Telecom's inter-

national market share is

now about 70 to 75 per cent.

government had already lib-

eralised ISR for fax and data,

which make up about one-

fifth of total traffic. "It is

moving from partial compe

tition to full competition, so

the transition will be rather

dealt to the three fixed-line

competitors - Hutchison

Telecom, Wharf New T&T.

and New World Telephone.

They are vulnerable to

attack on both sides: from new competitors who are

same customer base, and a

Telecom freed of several of

Mr Quinton points to the

UK example: Mercury

suffered very badly when the

market was first liberalised.

migrated to a new service, a

mink coats," says Mr Gib-

bons. "Cashing in the value

of that business and rede-

Mitsubishi Electric eyes phones

about half the rates charged

by KDD by leasing lines

from KDD and connecting

This would be the first

them to the public network.

time in Japan that a com-

pany which is not a telecoms

carrier offered international

telecoms services to the pub-

lic. according to the Ministry

tions. Late last year, the

MPT announced the deregu-

of Posts and Telecommunica

its price controls.

less marked," he says.

Moreover, the Hong Kong

last March, highlights the severity with an earlier forecast of Y5,500bn compete with the low-cost PCs that pressure on profits. Sales of semiconductors are expected to reach Y900bn, rather than the Y925bn forecast earlier. However, Toshiba expects to make a profit in semi-conductors on the strength of its

non-memory products.

Toshiba also faced a difficult environment in consumer electronics markets, particularly in Japan, where demand for large-ticket items has been hurt by a rise in the consumption tax. It expects an operating loss of Y30bn in the division, compared with a Y17hn loss

Kia looks

Kia Motors, the South Korean carmaker, is consid-

GM has offered to provide capital and technology to several of Kia's car component subsidiaries, including Kia Precision Works and Kia Reavy Industries.

GM has a components

off the pain for a few years. Kia, which was national-"Since any price-sensitive customer has already more attractive price could persuade these customers to foreign hop again to other opera-

For Hongkong Telecom, Kia is also hoping to strengthen marketing ties with Ford, which holds the balance of compensation for lost opportunity is a 16 per cent stake in Kis, through the overseas of liberalisation has been unrelenting in telecoms, and sales of Kia vehicles e adds that Hong- after Singapore agreed to through Ford's distribution kong Telecom is bet- open up Hong Kong had

Meanwhile, the trade and industry ministry said US and Japanese companies had expressed interest in acquiring Kia Steel, which supplies speciality steel products to the car industry.

Hyundai and Daewoo, Korea's two largest carmakers, have also offered to Louise Lucas co-manage Kia Steel in an

at link-up with GM

ering an alliance with General Motors of the US in manufacturing car components, Park Je-hyuk, president said.

A bigger blow could be Jack Smith, GM chairma said last month that the US carmaker was studying the possibility of strengthening its car components business in Korea by taking stakes in

likely to be targeting the joint venture with Daewoo, more competitive Hongkong Korea's second largest carmaker, and apparently intends to become a key parts supplier for the Korean car industry following the recent bankrupicy of Mando Machinery, the biggest while the dominant BT held domestic supplier.

ised in October after going bankrupt, has said it has kept Ford Motor, its largest shareholder, informed of its talks with

network.

kong Telecom is out-"Clearly, monopolies are going out of fashion like

alliance with the parent Kia Lex, Page 18 group.

Mind will target mainly the business market but will

also make its services avail-

able to residential users. The

company, which already pro-

vides telecoms facilities such

as internet and intranet ser-

vices, expects sales to rise

strongly this year to Y27bn

The liberalisation of inter-

national simple resale is

expected to inject greater

competition into the Japa-

nese market, where interna-

tional rates remain high.

(\$209m) from Y19.7bn.

By John Burton in Secui

PTTEP reserves hit 99m barrels PTT Exploration & Production, Thalland's only listed oil and gas producer, said yesterday that its total proven hydrocarbon reserves had risen to 99m barrels of oil equivalent (boe), up 20 per cent from the end of 1996. The company said probable and possible reserves were 689m

THAILAND.

The share price of PTTEP, a core holding of many foreign investors in the Thai stock market, rose L3 per cent to close at Bt466. The company's annual reserves announcement is considered crucial in determining the

value of the company. The Thai government, via the Petroleum Authority of Thailand, expects later this year to sell additional stakes of PTTEP either on the stock market or through a private placement as part of a privatisation programme agreed

with the international Monetary Fund. The company said the rise in proven reserves was mainly the result of new appraisals of wells north of the country's main offshore gas producing areas - Pailin and Moragot - and new reserves added when the company farmed-in on Burma's offshore Yetagun field.

Ted Bardacke, Bangkok

Bethan Hutton, Tokyo

TRAVEL

Japan Airlines cuts HK flights

Japan Airlines, the country's largest carrier, is to make sharp cuts in the number of flights between Japan and Hong Kong in response to steep falls in passenger numbers on the routes.

Tokyo-Hong Kong flights will be reduced from four to three a day from April, reducing total Japan-Hong Kong flights to 49 from 56 a week. Flights to the US and Europe will increase, with a new Nagoya-Los Angeles service three times a week.

Paul Smith, transport analyst at HSBC James Capel Securities in Tokyo, said that cuts in the Hong Kong services were not unexpected. Japanese tourism to Hong Kong has fallen off dramatically since the July 1997 handover to China. Other Asian destinations are attracting more business, and JAL plans to add more flights to

mainland China, although these are not yet fixed.

JAL's flights to the US are set to increase by eight a week, but competition on the routes is likely to grow as a result of a US-Japan aviation accord, due to be agreed this

RETAILING

Woolworths wins Country Road

Woolworths Holdings, the South African retailer, said yes terday it had secured a controlling stake in Country Road, the Australian clothing retailer, two days before the deadline for shareholders to accept its A\$138m (US\$92m) takeover offer. The bid had been rejected earlier by many investors, with the share price trading up to \$2.20 before closing at the offer price of \$2 on Tuesday. In a hardfought takeover attempt. Woolworths succeeded on Tuesday in raising its stake to 59 per cent, gaining a 20 per cent stake in 24 hours.

Leading shareholders, including Australian Retail Investments and Portfolio Partners, have opposed the bid and earlier tried to build a blocking stake, saying Woolworths' offer was too low. Syd Muller, Woolworths executive chairman, said yesterday that his company had been inundated with acceptances of the bid, which valued Country Road at \$138.11m. "Shareholders have concluded that our offer is attractive and provides the opportunity to sell at a premium price . . . this is despite all the negative posturing of some parties," he said. Woolworths has

said it would move to delist Country Road if it acquired 50.1 per cent of the company. Gwen Robinson, Sydney

lation of international simmonth. Mind expects to offer inter-

> CARIPLO Cassa di Risparmio

Grand Caymen Brench US\$ 150,000,000 Floating Rate Depository Receipts due 1999

delle Provincie Lombarde S.p.A.

In accordance with the Terms and Conditions of the Receipts, notice is hereby given that for the Interest Period from January 21, 1998 to July 21, 1998 the Receipts will carry an Interest Rate of 5,90625% per annum.

The Interest Amount payable on the relevant Interest Pay-ment Date, July 21, 1998 will be US\$ 296.95 per US\$ 10,000 principal amount of Receipt

and US\$ 7.423.83 per US\$ 250,000 principal amount of

LEGAL NOTICE

DI THE SICE COURT OF REPEET CONTRACTOR DETECTOR GD ON 184 OF 188 400 IN THE MATTER OF THE COMPANIES ACT THE COMPA

Kommuninvest I Sverige AB U.S. \$100,000,000 ting Rate Notes due 1998

For the Interest Persod 20d nuary, 1998 to 20th April 1998 e Notes will carry a Rate of severe of 5.6129% per annum. he laterest Amount payable pe J.S. \$5,000 Note will be U.S. Note will be U.S. \$1,453.12, populie on 20th April, 1998. MANUTAN **RESULTS FOR 1996/1997**

M.PRUD'HOMME S.A. (MPSA) will

The Supervisory Board, chaired by Mr André P. GUICHARD, met on 19 January 1998 and reviewed the management report and counts for the year caded 30 September 1997 as presented by the Management Board, chaired by Mr Jean-Pierre Guichard.

Consolidated turnover of FRF 1,873 million is 6.2% higher than the previous year (compared to a forecast 5% growth).

The first half of the year now ended showed only modest growth of 3%. The second half however saw sustained growth (+10%) which included strong performances from France, Scandinavia and the Benelux countries.

The only shadow was Germany which suffered further stippage in order intake from the former East German States which was not offset by the rest of Germany.

Group net profit, after amortisation of goodwill was FRF 94.6 million (5.1% of turnover), a modest decline compared to the previous year (FRF 98 million, equal to 5.6% of turnover).

Developments

ALCATEL BS whereby our subsidiary, same as a year earlier.

Prospects for 1997/1998 Turnover should reach the FRF 2 billion

expanding rapidly.

mark during 1997/1998, an increase of 7% as evidenced by the promising first quarter results : group sales were FRF 563 million (a 13% increase) and Manutae S.A. sales were FRF 236 million (an 18% increase). At the next Annual General Meeting, it will be proposed to increase the distribution to 25% of group net profit after amortisation of goodwill. This will provide a dividend of Agreement has been reached with FRF 4.80 per share inclusive of tax credit the

acquire the mail order activities covering

equipment, accessories and consumables for

the private telecommunications markets

(standard and cordless phones, GSM, fax and answering machines), distributed via the

Even though the scale of this transaction is

not significant in the context of group

turnover, it is important to MPSA as it will

make a major contribution to the recovery in

growth for this business and provide

additional expertise in a market that is

"ALCATEL Diffusion" catalogue.

MANUTAN: A COMPLETE SERVICE TO BUSINESS, BY CATALOGUE GENERAL EQUIPMENT - HANDLING - LIFTING - STORAGE - OFFICE - WORKSHOP



The second of the court. PRODUCTION TO THE PROPERTY. By By The second second second

A way to make

元が日本のでは、日本語で、

Color Mode To per cent - the

PARTIE TIMES

1

TA TATE

- wilds &

1. 18

The branch of the

10 to 1021 19 19

14.70 mm

SECTION AND

1000

100

the county with a 🗱

いっぱるか **機構**し

National.

and Lend

Line and Company of the

ことの作を答っ

19. 食品粉料

1. 18

200 PM

1.00

1.5

ST 79-EQ.

1111 TON

THE PARTY

AND NORSE

مرجع بالمراث

110.556

The state of the s

To the Same

 $2 \cdot 2^{n} \cdot 1 \cdot 2^{n}$

Territory

A francisco

1.11 (185**4**).

15 5 1 25 25 35 BM incoments. One Harris Court Target April 12 Court State for State of St Authorities. 10.0 adv.=3:28t the recent TO THE REAL PROPERTY. the art hughes." and a man on property late.

alking is a second second Coke State Coke

Park of the Contract of the Co Barks Cigarity Drice SEE SPATES MERE! distributed to intell the many institutions Est's C'OSC OR-

Diggs investors. appeared to be 104 6) 5 109 1 45 ELE Onthe to finish pigh the pieces of

Souther Cartings than it had been Hirking the mare

seid Brierley's Cole a personal residence Ca The

COMPANIES AND FINANCE: INTERNATIONAL

Wave of mergers sweeps Indonesia

PONESDAY JANUARY JA

FIC NEWS DIGEST

Provide the second seco

The state of the s

Service of the servic

eserves hit 99m band

A second second

A TOTAL OF THE PARTY OF THE PAR

A CONTRACTOR OF THE PROPERTY O

lines cuts HK flight

Season of London

is wins Country Roal

MARKET CONTROL TO THE SERVICE OF THE

Au. 3

UIAN

The second secon

Secretaries for the last

Secretary and the secretary an

..-44.

· Auf tell tittags -----

12 1025

of their struggle to survive a looming debt crisis and liquidity squeeze.

Bank Danamon, the second largest listed bank banks and many conglomerwhich has denied rumours of impending collapse, said it brink of bankruptcy by a was finalising talks on a liquidity squeeze and a colmerger with a number of lapse of the rupiah. The small banks but would not disclose details, although some bankers involved said Lippo Bank could be one of

Dharmala and Putra Surya Perkasa, the finance and defaults. property groups, intend to merge their property subsidexposed to short-term offshore borrowing when the rupiah crashed,

plans to raise its stake in Bank Arya, a small retail bank, from 35 per cent to 49 per cent. LG Electronics of South Korea has bought out Astra Electronics, part of the Astra group, from a local

tion plans are the first evidence that banks and compa-Indonesia's banks and nies are restructuring to conglomerates announced a stave off collapse. News of wave of merger and acquisi- more mergers in the making tion plans yesterday as part attracted buyers for bank shares on the Jakarta Stock Exchange yesterday, push-

ing the index up 2 per cent.

Most of Indonesia's 225 ates have been pushed to the exchange rate has dropped from Rp2,600 to the dollar in August to Rp10,575 yesterday, swelling off-shore debt and triggering fears among investors of massive

Private off-shore debts exceed \$66bn, in addition to paper, and estimates of loans due this year range from \$30bn to \$60bn. Lenders have roll-overs on loans to many some have mentioned Steady Safe, Sekar Bumi and Sierad Produce as defaulting on short-term debt.

Some banks have offered rupiah payments for dollar to reveal financial data.

The merger and acquisi- debt, indicating growing des-

peration. The government has urged enterprises and banks to merge or attract foreign investors to raise cash. Company owners had been slow to respond until recently, hoping the ruplah would recover, but even last week's reform pledge to the international Monetary Fund failed to revive the currency.

On Monday, two of Indonesia's largest banks, Bank Internasional Indonesia and Bank Dagan Negara Indonesia, said that they intended to merge along with three small banks affiliated with BDNI. Bakrie group and Tirtamas group have also merged subsidiary banks. BDNI, although only

slightly smaller than BII, iaries which were badly at least \$15bn in commercial will lose its name in the merger, an indication of its weak position. BDNI is part of the Gajah Tunggal group Scotiabank of Canada remained quiet on forced which has been heavily hit by the rupiah depreciation, large conglomerates but but Sinar Mas group, owner of BIL also faces large debt payments because of rapid expansion in its pulp and paper industries.

lowing a debt-for-equity deal. Both groups have declined

Gdynia takes Polish shipyard lead

By Christopher Boblnski

Gdynia shipyard, which showed a profit last year for the first time since 1990, is emerging as the sector leader in Poland after a long struggle to stay independent of Szczecin, its chief domestic rival.

Last year's \$7m net profit on the sale of nine vessels worth \$300m has bolstered morale among the yard's more than 7,000 employees and prompted Gdynia to make an ambitious bid for the assets of the nearby Gdansk yard, which is in liquidation. At the same time, Szcze

take control of Gdynia, risks becoming isolated if its merger plan, backed by the European Bank for Reconstruction and Development, fails to come to fruition. Szczecin also reported a \$7m net profit last year on sales of 22 vessels worth \$570m. Gdynia, which plans to build 12 vessels this year, expects \$410m in sales revenue and about \$10m in net profits. It is currently 34 per cent state-owned, while sup-

Two Polish banks, Bank Handlowy and the PBKS, part of the Pekao SA group.

pliers hold 12 per cent fol-



A worker at the troubled Gdansk shipyard: nearby Gdynia has made a bid for its assets

hold a further 39.4 per cent Szlanta, chief executive of could coincide with a partial and the workforce is entitled to 15 per cent. The yard's management and employees are negotiating to buy the banks' stake in a deal which should be completed by the end of next month.

Gdynia, the return to profit- trade sale. ability gives the yard a breathing space to consider its next move. This could include the

immediate sale of stock to a strategic investor or a War-According to Janusz saw bourse listing, which

The Gdynia bid for Gdansk

is designed to give Mr Szlanta additional capacity to develop his yard, and the tender is expected to be decided by the liquidators by the end of April

The Gdynia consortium includes Pekao SA bank and Nederpol, a local property developer. It also has the support of Marian Krzaklewski, the leader of Solidarity, which has collected funds to help save Gdansk. the union's birthplace.

National Mutual and Lend Lease detail link-up

By Gwen Robinson in Sydney

National Mutual · Holdings and Lend Lease, two of Australia's largest insurance and funds management groups, yesterday announced details of a plan to merge their core operations in Australia and New Zealand, possibly by the end of March.

The new entity, National Mutual/MLC, would be one of the region's largest financial services groups, with a combined A\$51bn (US\$34bn) of funds under management.

The deal has been under discussion since last Octo- Zealand, to be run as a ber, but its timing, following the previous day's announcement of a restructuring by AMP, Australia's largest ance, pensions and related insurance and fund manage- businesses, while the second ment group, highlighted would include the investintensifying competition in ment management the Australian financial services market.

Executives from National gic importance of the pro-

· man of the new entity. · interests in property devel- rights as an 11th board opment and management, member. while National Mutual is a combining their businesses, which has been expanding in they said they would achieve south-east Asia.

recurring cost savings of at least A\$200m annually, which could add A\$900m to nharebolder value

Under a non-binding pre liminary agreement, the merged entity would be 51 per cent owned by National Mutual and 49 per cent by Lend Lease. National Mutual would pay Lend Lease A\$130m as an adjustment fee for its larger equity stake, while Lend Lease would purchase National Mutual's property management operations for A\$63m.

The group would form two both Australia and New single entity under National Mutual/MLC. The first would combine existing life assuroperations of Lend Lease and National Mutual in both

countries. Mutual and Lend Lease said Both companies would their proposed merger was have five representatives on partly a response to the globalisation of the financial ture and have equal voting services industry. "We can-not over-estimate the strate-years. National Mutual, however, would have the right to posed merger," said Dean appoint the chairman. David Wills, chairman of National Clarks, chief executive of Mutual, who will be chair-man of the new entity. MLC, would head the merged entity and for the Lend Lease has extensive first three years have voting

The deal excludes National leading fund management Mutual's 69-per cent subsidand insurance company. By jary National Mutual Asia, All of these securities having been sold, this advertisement appears as a matter of record only

\$1,688,212,350



Safeway Inc.

28,254,600 Shares

Common Stock (par value \$.01 per share)

2,825,460 Shares

This portion of the offering was offered outside the United States by the undersigned.

Goldman Sachs International

Morgan Stanley Dean Witter

Merrill Lynch International

Donaldson, Lufkin & Jenrette International

Lehman Brothers

Salomon Smith Barney International

SBC Warburg Dillon Read

25,429,140 Shares

This portion of the offering was offered in the United States by the undersigned.

Goldman, Sachs & Co.

Morgan Stanley Dean Witter

Merrill Lynch & Co.

Donaldson, Lufkin & Jenrette Securities Corporation

Lehman Brothers

Salomon Smith Barney

SBC Warburg Dillon Read Inc.

Brierley sale hits Coles Myer stock

tumbled nearly 7 per cent chips, would channel the yesterday on news that Brierley Investments, the ments including a possible New Zealand-based investor, addition to its existing 22.9 had sold its entire 7 per cent per cent stake in Australian stake in the Australian newspaper publisher, John retaller for about A\$585m. Fairfax.

Brierley took advantage on Monday of the recent Australian general manager, surge in the troubled group's said the company was "very share price to record highs, pleased" with its profit from realisting a profit of \$219m on the sale and had decided to

on Monday through Austra-lian brokers JB Were & Son. Brierley, which also owns involved at least 80m Coles Thistle Hotels group in the Myers shares at \$7.30 each, UK, bought the Coles Myers a discount of 64 cents to shares from late 1995

widely distributed to local Brierley began amassing and overseas institutions its stake in Coles Myer as after the market's close on investigators raised ques-Monday: Other investors tions about the company's yesterday appeared to be fol-lowing Brierley's lead as the dards and a complex set of stock fell 58 cents to finish share deals said to have cost

retailer's earnings outlook their stakes and finally left ket would take some time to 'uty chairman, Solomon Lew, absorp the stock. refused to leave the board.

Market observers sug-gested that Brierley, a large Shares in Coles Myer investor in Australian blue

Don Conway, Brierley's sell because "it was time to the sale. sell because in was time to the next invest-

the market closing price through 1996 for an average

at \$7.41-on high turnover of the retailer A\$18m.

13.7m shares. Large institutional shareAnalysts said Brierley's holders, including AMP Sociexit was not a negative facety and British Telecommutor for Coles Myer, as the nications, began reducing was better than it had been the share register after the for years. However, the mar- main shareholder and depJapanese bank hopes for about £200m for group after removal of bad loan provisions

Yokohama to sell Guinness Mahon

By Jane Martinson

Guinness Mahon, banking group, has been put up for sale by the Bank of Yokohama; a leading Japanese regional bank, after a decision to streamline its international operations. Guinness Mahon, which 1980s, have led to losses for

banking business with a pri-

fund management division, almost 5200m after a rights made easier by the removal London-based investment of bad loan provisions which have dogged Guinness Mahon in recent years.

The bank's ownership of Guinness Mahon has not been a particularly success ful one as the problem loans. The bank hopes to sell mainly taken on board in the combines an investment most of the 1990s.

The bank's initial investvate banking operation and ment of 255m in 1989 grew to Asia.

chases. The group now hopes the sale of Guinness Mahon, with profitmaking individual parts, will make nearly 2200m (\$326m). The initial investment was made as many financial institutions were expanding globally. The bank is understood to have decided to sell Guinness Mahon before the

recent market turmoil in

as a whole. This should be issue and other share pur- reduce other international operations and "unnecessary" cross-shareholdings in other Japanese companies, in an attempt to position itself firmly in the domestic market before "big beng" in the country's financial ser-

> David Potter, Guinness Mahon chairman, said the group had already been approached by potential bid-ders. "Over the last couple of

vices sector.

If has also decided to years we have had no approaches." This interest had increased recently.

Using a rationale similar to that of Barclays when it announced the sale of BZW, its investment banking arm, Mr Potter said it was concerned about keeping bid talks confidential. Both sides would like to see a sale "sooner rather than later". An adviser to the deal said that he hoped the sale could be completed within the next

Guinness Mahon, which owns the Henderson Crosthwaite stockbroker, employs some 572 people in the UK. It advises more than 75 publicly-quoted clients and completed £282m of mergers last year and £363m of equity capital raisings. It owns 44 per cent of Guinness Flight Hambro asset management, which

manages 29.3bn of institu-

Somerfield sales lag sector

By Peggy Hollinger

Somerfield, which has been the subject of recent bid speculation, surprised the market with stronger than expected interim profits but its marginal increase in sales growth continued excluding new space, had to lag the food retailing

Gross margins up by 1 percentage point helped Somerfield report a 12 per cept rise in underlying pre-tax profits

Including exceptional gains, the pre-tax line rose from £54.6m to £60.9m for the 28 weeks to November 8. on sales ahead from £1.71bn to £1.73hn.

David Simons, chief executive, said it had turned in another solid set of results showing an improved performance". Moreover, it had not yet exhausted its scope for further margin gains. "I am convinced we will see gross margins grow in this business for several years to

6 miths to Oct 31

RESULTS

Investment Trusts

While admitting that the sales increase remained substantially lower than the industry's 3-4 per cent. Mr Simons said there had been an improvement in more recent trading and sales, grown 0.6 per cent in the nine weeks to January 10.

Analysts said that although the growth in sales was disappointing, margin improvements would lead to better than expected fullyear profits. Annual forecasts were raised by about £8m to some £115m.

Defending the sales perfor-

mance, Mr Simons said trading in the core Somerfield stores had increased by 2.4 per cent on a like-for-like basis. This compared with a 2.8 per cent decline in the unconverted stores and a 5.8 per cent fall in the Food Giant discount chain. Mr Simons refused to comment on the bid speculation

which last week fuelled a 7

(60) (6) (7.25) (17.2) (1,714) (65.4)

7.45

70,5

0.987L★ (0.011) 1.13L (11.7L♠) 1.83 (1.9)



per cent rise in the shares. which have eased back from It is understood the group has not had any initial a peak of 251p, closed 4p up approach from a prospective

bidd	er. Son	aerfield s	shares,		Le	r, Page 1
EP:	B (M)	Current promote (p)	Date of Physician	Dividends = Consuponding Guidand	Total for	Total last year
2.46L	(0)	nii				0.1
2.21	(42.4L)			-	-	-
7.2	(7.5)	3.3	Apr 6	3.15	-	10
1.0	1121	D 93	Arr 6	0.25	_	ĩ

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. SUS currency; leases per state in pence. *Comparatives restricted. *After exceptional charge. *Varian exceptional charge. *Varian exceptional charge.

Hercules moves to reassure on overpaying

ohreen in London and

Hercules of the US moved to reassure analysis yesterday that it would not overpay for Allied Colloids, the UK chemicals group, despite having raised its hostile bid twice in seven hours on

Ciba Speciality Chemicals, Hercules' Swiss rival, was last night still considering whether to put in a counter offer, after Hercules shares fell by \$2\frac{1}{2} to \$46\frac{2}{2}.
One Hercules shareholder

said he was resssured that Keith Elliott, the group's chairman and chief executive officer, said that much of the directors' personal Hercules shares and options, so they had every incentive

not to overpay in an auction. Ciba is believed to be considering less drastic cost-cutting than Hercules, and is keen to retain Allied's senior management. Its original recommended bid proposal was hammered out with Allied's board and advisors at Schroders in the Savoy Hotel over the weekend.

Morgan Stanley cut its forecast of Hercules' 1998 earnings yesterday, but Mr Elliott told analysis that the sterling/dollar exchange rate SFr7.8bn (\$5.27bn).

favour since it first bid

\$1.8bn in Novembe He added that the bid would still benefit 1999 earnings at the current price of £1.35hn (\$2.2bn). Its current 195p per share bid compares with an original price of 155p, and with Ciba's announcement on Monday that it was considering a

182.75p recommended offer. Allied's shares rose 3p to 199%p yesterday as analysts speculated that Ciba might return with a bid of 200p-210p. Hercules disclosed that it bought a 3.56 per cent stake on Monday at 195p per share. This compares to the 4.57 per cent stake bought by Ciba at 182p.

it emerged that trustees of wealth was in the form of a long-term incentive plan for Allied Colloids' management bought 446,000 shares on Monday at 185p - above the level of Ciba's proposed deal - before Hercules lifted its bid to 196p. Allied's advisors said the purchase was cleared with the Takeover Panel and would allow the trustees to deliver stock that has already been conditionally awarded.

Shares of Ciba, which had risen on Monday, fell by SF13.5 to SF1169 yesterday as the group reported a 19 per cent rise in full-year sales to

Pru's new business falls in quarter

By Christopher Brown-Humes

Problems in its UK salesforce and a disappointing fourth quarter in the US hit new business at Prudential Corporation last year and sent its shares falling

yesterday. The UR's biggest life group saw underlying new UK business growth fall 3 per cent, while the US was down 27 per cent in the final

The shares fell from 796p to 770p. Analysts blamed the unexpected US deterioration, but they also high-lighted profit-taking after the rise in the shares from 721p at the start of the year.

The Pru's UK equivalent premium income - an indusular premiums with 10 per cent of single premiums -fell from 2590m to 2571m (\$931m). These figures excluded the initial contribution from newly-acquired Scottish Amicable, and

investment products. "These are worse UK new business figures than we saw from either Norwich Union or Legal & General", said Roman Cizdyn, analyst with Merrill Lynch.

But he stressed the market had been expecting poor UK results after well-publi-cised problems with the Pru's UK salesforce.

These led the company to retest its entire 5,000 sales personnel, which involved taking them off active sell-ing duty for a short period. This, with a moratorium on recruits, has cut the salesforce by about 500. Prudential estimated it had lost about £40m of sales because of the restructuring.

Scottish Amicable contribnted 2100m of single premiums and £21m of regular memiums in the quarter.

In the US, Jackson National Life saw final quarter new business slump to £466m, against £998m in the third quarter and £637m a year ago. The company said this reflected lower sales of Guaranteed Income Contracts and lower US interest

LEX COMMENT Small companies

effect dead? A recent analysis of the Hoare Govett Smaller Companies Index shows not only eight years of underperformance, but blames this on weak dividend and comings growth rather than fickle market sentiment. For 1998, pessimism still abounds: small companies are seen as vulnerable to the strong pound and/or a slowdown in the UK economy. Ironically, 1997 was a good year for small companies' profits. Earnings per share



100

growth for FISE SmallCap constituents was as high as 20 per cent on some esti mates, more than twice the All-Share average. Strong growth combined with a derating has left smaller compa nies on a price-earnings discount to the market of 15-20 per cent. Four years ago that was about the size of their premium. The low rating may, of course, foreshadow cuts in profit forecasts, but at least this means some disap pointment is in the price.

Are small companies now cheap enough to attract buy-rs? Scepticism remains too high for a blanket rerating. But there are two areas of encouragement. First, some sectors in which SmallCaps are well represented have livened up - the new information technology sector is a orime example.

Second, a wave of bids for smaller companies, from both industry rivals and venture capital funds, mostly repre sent opportunistic moves on sound but undervalued targets. The investment equivalent of this is stock picking, and smaller companies are fertile territory for this

NEWS DIGEST

Reed Elsevier to pay compensation

Reed Elsevier, the Anglo-Dutch publishing group, is to offer companies that advertised in the group's hotel and airline directories about £200m (\$326m) compensation for overstating their circulation figures. The offer, which follows the discovery last September that circulations of titles such as Hotel & Travel Index had been exaggerated for the past five years, is likely to bring the total cost of the affair to about £450m.

The Reed Travel Group of titles is also to be split between two other divisions of Reed Elsevier. Kathy Misunas, who has been chief executive of Reed Travel for the past year, is to leave as a result of the restructuring. Shares in Reed International, which has 50 per cent of Reed Elsevier along with the Dutch group Elsevier, closed 13p up at 658p on confirmation that compensation would be in line with analysts estimates of £150m to £200m. Reed Rissvier confirmed that it intended to write down the 2482m intangible assets of Reed Travel by a .

"substantial" amount in its 1997 accounts. City analysts have estimated the likely write-down at £200m-£250m. The company said it intended to place its hotel Elsevier Business Information in the US, while its airlines titles would be managed under Reed Business

CRH spending spree

CRH, the Ireland-based building materials group, has completed a series of continental European and North American acquisitions for a total of 1947m (\$64.9m), taking the value of its deals agreed last year to about 19200m.

Deals in North America were worth 1235m and included Utility Precast in Dallas; 65 per cent of Groupe Permacon, a Canadian masoury and paving company; Cordell Brick, a Houston-based concrete brick and block company; Central Utah Block in Salt Lake City; Glass Distributors of America with sites in Georgia, North Carolina and Florida; and Custom Glass of Vancouver.

CRH has also concluded a further It12m of deals in Europe for the outstanding 10 per cent of Markox Group, a decorative concrete paving company, and the 20 per cent minority of Heras, a Dutch fencing and security systems

Lonrho talks with JCI

Lonrho, the conglomerate trying to hammer out a new identity as a coherent mining group, should be able to report progress on its acquisition talks with JCI, the South African mining house, at its results on Thursday. South African observers said yesterday that Sir John Craven and Nicholas Morrell, Lonrho's chairman and chief executive, had held "constructive" talks in Johannesburg with Vaughan Bray, who became JCI's chief executive last month when Mzi Khumalo had to step down as executive chairman. The pair also met executives at Anglo American, and are thought to have agreed a deal in principle. Lonrho will not be able to disclose full details on Thursday, however, as its planned deal hinges on the completion of an asset swap between JCI and Anglo. Lonrho's main interest in buying JCI is the ability to

buy back a large block of shares, but it is also pursuing JCI's Tavistock Mining colliery through Duiker Mining, in which Lonrho has a 61 per cent stake. Delays to the negotiations have badly damaged Lourho's shares. Yesterday, however, they rallied 3½p to 85½p.

Butte Mining to delist Butte Mining, whose shares have been suspended since

January 1997, yesterday asked to be delisted by the London Stock Exchange. The board concluded the expense of complying with the exchange's requirements while Butte was restructuring were not in shareholders'

The stock exchange has recommended, and the company agreed, that shareholder approval be obtained for the sale of its mining property in Montana.

Ransomes urges acceptance

Ransomes, the Suffolk-based mower manufacturer, yesterday appealed to holders of its convertible preference shares to stop standing in the way of a recommended takeover offer from Textron, the diversified US group. Paul Hollingworth, Ransomes' company secretary,

wrote to shareholders to "encourage those who have not yet accepted to do so as soon as possible." If Textron does not get acceptances from 90 per cent of Ransomes' preference shares, its £141.5m offer will lapse.

CPF shares suspended

Compagnie de Participations Financières (Luxembourg), the Aim-listed property company which on Friday said it was having funding difficulties, yesterday said its shares had been temporarily suspended pending an announcement. The shares were suspended at 307%p.



Privatisation of Autobahn Tank & Rast AG

Public Invitation to submit Expressions of Interest

The Federal Republic of Germany, represented by the Federal Ministry of Transport in collaboration with the Federal Ministry of Finance, is planning to dispose of a majority shareholding in Autobahn Tank & Rast AG, Bonn. This measure forms part of the German government's policy of privatisation aimed at strengthening and securing Germany's future as an industrial and commercial base by reducing state involvement in the business sector.

A number of measures have been put in hand in recent years to pave the way for the planned privatisation. These include a revision of the German law on long-distance road communications, the issuing of a ministerial order defining operating licence fees and transfer to Autobahn Tank & Rast AG of ownership of the sites involved.

The sites used to provide a range of services to travellers are legally part of the German Autobahn system, whose authority grants operating leases to Autobahn Tank & Rast AG for a limited term. The latter then plans, builds and finances its petrol stations and hotel and catering facilities. It is intended that these should continue to be run in the main by smaller businesses on a franchise basis. Autobaha Tank & Rast AG has become firmly established particularly in the field of retailing with a number of new outlet concepts, and is now pursuing a similar Autobahn Tank & Rast AG currently operates 721 service operations on German motorwaya, including 294 petrol stations, 325 catering

franchised petrol stations, restaurants, retail outlets and motels serve over 140 customers and generate annual sales of more than DM 5.5bn. Provisional figures show the company as successfully achieving the marked increase in profits planned for 1997 and the outlook is of further growth in the next few years, particularly in the retail and catering segments.

facilities, 46 sales kiosks and 56 motels. In financial 1996 the group had sales of DM 351.5m and reported net income of DM 10.8m. The

The government's decision to privatise Autobahn Tank & Rast AG will be implemented within the existing legal framework and with the following further policy objectives:

- 1. To preserve Autobahn Tank & Rast AG in its entirety as a single company
- 2. To maintain the reputation of the motorways for efficient travel, fuel supply and catering, motel and parking facilities 3. To keep the existing structure of small franchisees with entrepreneurial freedom
- To maintain the wide range of products on offer at petrol stations and to safeguard the interests of the small-scale suppliers 6. To reduce the burden of administration
- 7. To enhance the efficiency of individual operating units

This invitation is directed to strategic and other interested investors.

Companies wishing to acquire a shareholding in Autobahn Tank & Rast AG should notify the investment bank entrusted with the privatisation (address below) to this effect by no later than 6 February 1998, stating the reasons for their interest.



Sal. Oppenheim jr. & Cje. Kommanditgesellschaft auf Aktieu Unter Sachsenhausen 4, D-50667 Köla

Artur Friedrich Deichmann Public Sector / Privatisations

Albert H. Savelberg Mergers & Acquisitions

+ 49 221/145-1738 +49 221/145-1039

+49 221/145-1626 +49 221/145-1629

The above-named will be pleased to furnish further information concerning the company and the privatisation procedure.

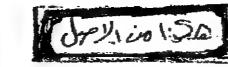
المحان العلى

K COMMENT

Elsevier to

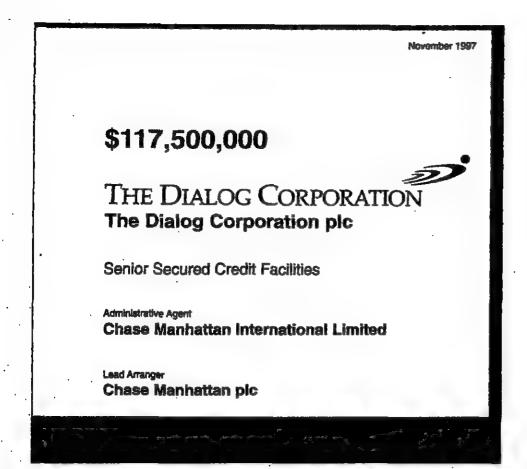
mpensation

ding spree



13 CHASE

Why the leading international supplier of online information chose Chase



When M.A.I.D plc acquired Knight-Ridder Information to create The Dialog Corporation plc, the world's leading international supplier of online information, they turned to Chase.

Industry Knowledge

Chase, the world's top arranger of leveraged finance, is also a leader in financing and advising a broad range of media companies, with particular expertise in structuring and executing large, complex transactions.

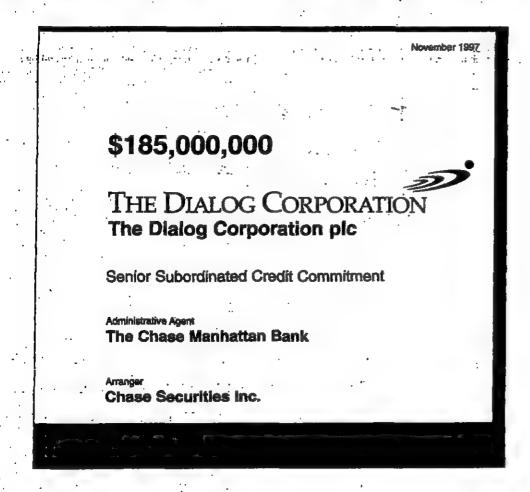
Capital Raising Expertise

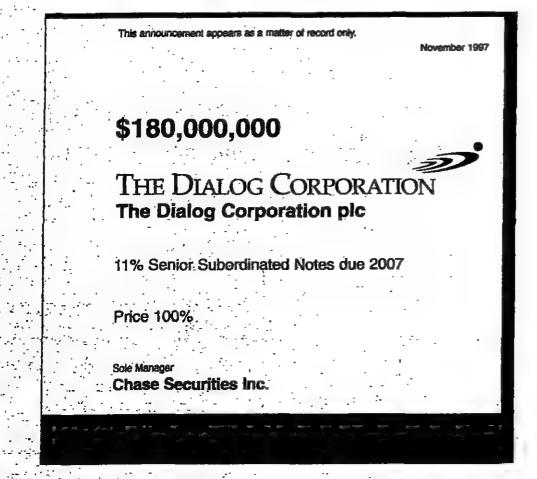
Chase committed 100% of the senior secured and senior subordinated facilities, which enabled M.A.I.D to acquire a company six times its size. Drawing on a global network of investors, Chase successfully structured and syndicated the facilities and sole managed the high yield notes issue despite a period of significant volatility in the global capital markets in late October 1997.

One Source

Chase is the best source for all your capital and advisory needs. Whether it is arranging a bank financing, accessing the public or private securities markets, or providing objective advice, Chase provides superior execution in a customised, integrated approach across all capital markets.

For further information, please contact Stephen Eichenberger at 44-171-777-3273 or Donald McCree at 44-171-777-4360 of Chase Manhattan International Limited.





irges acceptan

suspended

INTERNATIONAL CAPITAL MARKETS

Italy bolstered by passing Emu hurdle

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets edged higher yesterday, with Italy and Spain continuing to outperform Germany following Monday's positive

Ecofin meeting. GERMAN BUNDS got off the emergence of rumours meting confidence. The Ifo index is considered one of the most important eco-

0.27 to 106.62 on the rumour. helped sentiment. But most there was some nervousness. Analysts expect healthy Treasuries had little to react but eased back to settle at 106.37, up 0.02 on the day. There was little shift in

the yield curve, which has widened by 15 basis points since the start of January, due to a strong performance at the short-end in response to an apparently more benign interest rate outlook.

ITALIAN BTPs continued to a strong start, following to benefit from the passing of one of the final hurdles to that this morning's European monetary union announcement of the Ifo membership. The March conbusiness climate index tract settled 0.20 higher at would demonstrate plum- 117.48, and the spread

Bundesbank president Hans Tietmeyer's supportive at 1232 on more active turn-

there is little potential for further outperformance.

Phyllis Reed, at Barclays Capital, said: "I think it is going to be impossible for the Germans and Dutch to block Italian entry to Emu, but I think there could be some surprises. Things could get messy in the run up to German elections."

SPANISH BONOs moved in line with Italy. The spread against bunds narrowed by 1 basis point to 29, while the against bunds narrowed to March contract in Barcelona settled at 107.62, up 0.02. UK GILTS settled 1 higher

strategists believe that ahead of today's release of demand but suggested it to in the morning session. yields have converged and December retail sales fig- could stifle the rally in unes.

The yield curve became more inverted, as shortdated bonds moved sideways in advance of the sales data. Richard fley. UK economist at ABN Amro, said: "I would expect inversion to continue in the short-term."

The spread against bunds narrowed 2 basis points to \$\frac{1}{2}\$ lower at 101, yielding 5.391 109 points, but Mr lley said per cent but the two-year significant further spread compression would require a ing 5.331 per cent. The Fedweakening of bund yields, which he does not expect until the second half.

M.US DOLLARS

New international bond issues

per cent With no significant eco-The Bank of England nomic reports released to the

Ahead of forthcoming auc-

tions, the five-year note was

note was up & to 100%, yield-

longer-dated bonds.

The March contract gained comments in the newspapers over of 72,000 contracts, but a new 30-year gilt next week. calm overnight, investors in

The bond market was a hit higher over the weekend US TREASURIES were but sold off gradually when New York opened," said Ken mixed by midday on the first day of trading since Friday. Fan, US government bond In quiet trading, the benchstrategist at Paribas Capital mark 30-year bond was % Markets, Treasuries also fell as the results season bolhigher at 1042, sending the vield down to 5.786 per cent. stered US stocks.

The yield curve, the spread between the two-year note and the 30-year bond, firstened in morning trading, standing at just over 45 basis points by early afternoon.

eral Funds rate stood at 5.50 Today traders will focus on the Federal Reserve's "Beige Book" release. New data on housing starts will announced a £2hn suction of market and Asian markets be released on Thursday.

CAPITAL MARKETS NEWS DIGEST

Slovakia rating put under review

Skyvakia's Baa3 rating has been put on review for a possible downgrade by Moody's, the rating agency, because of the country's "consistently high" fiscal and current account deficits. Moody's said the twin deficits. are increasingly financed by foreign borrowing and short-term debt, and the economy and the servicing of foreign debt are susceptible to external shocks and swings in public confidence.

The high real interest regime imposed to support the currency and restrain consumption had increased the cost of government borrowing on its Kcs37bn deficit last year and had forced companies to borrow abroad. The central bank has estimated that gross foreign debt will rise this year to about \$10bn, 50 per cent of GDP.

Robert Anderson, Progue

-Comment .

The state of the s

. * 128 T

DANSE CROSS RATES

ISPAELI BANKING

FIBI eurobond to raise \$200m

First International Bank of Israel (FIBI), the country's fourth largest bank, plans to launch its first international bond issue at the end of the first quarter - \$200m of fiveyear eurobonds to be listed in London. The bank said the move reflected growing international interest in the Israeli market. FIBI, part of the Safra banking group, said the issue of floating-rate notes would be managed by United Bank of Switzerland.

FIBI's offering follows a flurry of international financing activity by Israel's largest banks. Bank Hapoalim, the country's biggest, established a \$600m global mediumterm note programme last October. In the same month, Bank Leumi, Irael's second biggest bank, announced a \$1bn borrowing plan that included \$275m of eurobonds

KAZAKHSTAN PRIVATISATION

Banks appointed for spring sales

Kazakhstan yesterday appointed banking groups to leadmanage share offerings in five of its top companies as it seeks to get its stock market off the ground. The National Securities Commission said it had appointed ABN Amro Rothschild to sell a stake of up to 4.5 per cent of Kazakhtelekom, and a consortium led by Lazard Freres to sell a 5-7 per cent stake in Mangistaumunaigaz, the country's

biggest oil company. Credit Suisse First Boston heads a group to sell up to 20 per cent of Khezkazgantsvetmet, a cooper company. Global Securities, a Turkish finance house, will lead the sales of stakes in Aktobemunaigaz, an oil company, and in Ust-Kamenogorsk, a titanium and magnesium group. The appointments follow the setting up last year of Kazakhstan's stock market and a pledge to privatise state-run enterprises. The stakes are likely to be offered for sale in Vincent Boland

Foray into D-Marks for Hungarian bank

INTERNATIONAL BONDS

By Edward Luce and Samer skander in London and Anatol Lieven in Budapest

week with a bravely timed foray into the D-Mark sector. However, traders said the issue was priced too aggres- notes in the early 1990s. sively at 37.5 basis points

over Libor.
"This was a competitively bid deal so I think aggression was in the air." said one trader. "It was at least 10 basis points too tight." The deal was lead-managed by DG Bank.

The Hungarian bank admitted that the deal - the by extending beyond fivetightest margin secured by Hungary so far in the eurobond market - was priced joint lead manager with very competitively.

The National Bank managed to get the best possible yield available from switch- was also the bank's first

pean market, a price which into 10-year bonds was only is similar to sales by Euro- 8 basis points. This yield pean Union members," it pick-up had increased to

said in a statement.
The EUROPEAN INVEST-The National Bank of MENT BANK launched this Hungary yesterday followed year's first issue of seven-Turkey's lead earlier in the year bonds in the dollar sec- which is trading at a spread tor. This maturity has been of 19 basis points in the sec rarely tapped by borrowers since the US Treasury DM500m floating-rate bond stopped issuing seven-year strong demand from Asia.

> investors in maturities other increased after last week' than five and 10 years, rise in the yen to less than which have seen heavy sup- Y130 against the dollar. ply in recent weeks.

Merrill Lynch.

Two weeks ago, the extra said the upper tier two bond

price available in the Euro- ing out of two-year note about 20 points yesterday Merrill Lynch said the bone offered a reasonable pick-up over EIB's five-year issue ondary market.

Tokyo-Mitsubishi reporte particularly from Japan. I Bankers, however, said said demand for dollar-there was demand from denominated assets had

BANK OF SCOTLAND yes-"Since the yield curve terday issued its first perpetstarted steepening two ual bond since 1996 in a weeks ago, investors have £150m offering. The bond, been willing to pick up yield which is callable after 25 years with a step-up of 100 year maturities," said Tokyo-Mitsubishi International, yield 125 basis points over gilts. An official at Merrill Lynch, sole lead manager,

Allanz Pinence(s)\$	20n 1bn	3.00 4.50	100.00 99.438R	Feb 2003 Reb 2003		_1554V-0-mil/3	Dresdner/SBCWDR Barclays/CSFB
National Bank of Hungarys	500	(b)	99.0B55			+1041/2 HBox	DG Bank
W STERLING		****					
Bank of Scotlandiel	150	7.375	99.668	undated	0.625R		Merrill Lynch Internations
Slough Estates	125	7.125		Feb 2010			SBC Warburg Dillon Rea
GECC	125	6.00		Feb 2003			SBC Warburg Dillon Res
Housing Assoc Punding(d)	. 66	8.250	1142111	Jun 2027	HCSOU	+75(876-2U)S	Morgan Stanley DW
BESICH FRANCS			5 %				4
Province of Quabec 3CIF(e)	20n	5.50 5.258	98.94F	Feb 2010 Apr 2008			Société Générale CDC Marchés
Plorimmo, Class A1(fit	1.5bs	(1)		Feb 2001		420fb3a-fnrn0l	Crécit Acricola indoguez
Morgan Stanley DWD & Cost	1bn	100		Feb 2000		-	Morgan Stanley DW
& ITALIAR LIRE						. 1	
Parmelat Finance Corp	800bn	200	13,580	Feb 2025	0.165R	=	Chase Manhattan Inti
■ GURDERS				market of the			
3CIF(e)	500	5.256	98.251R	Apr 2008	0.3758	+406	ABN Armo Benk
M DANIEN IGRONIER							
Baverische Vereinsbank	400	5.25m	102 25	Dec 2004	1 875		Bank Bassais Lambari
E SWEDISH IGRONOR		1	1.00				
Chicit Local de France	500	5.25	101.65	Mar 2000	1 896		Del
CHOIC LOCK ON PHENON	1000	320	101.00	Media STATES	1.023	•	OIL .

SCORVETIONS : Processing-rates holds. Estaml-article coupon. It? Holds in-coner price; were actived as process were a second at part by 3-mit Libor 446. c) Cellable on 10/2/23 and every 5 yrs at per. If not cellact, coupon starps up to 5-yr gitts +225bp. d) Fungible with 558.25m. Plus 53 days accrued. Amortises: or life 20.3 yrs. e) FF2bn and Ff30m are fungible upon Emu. f) Securitised mortgages. Average life: 1.43 yrs. (1) 3-mith Pibor +3bp. (2) Also Issued: Class A1 FF315m domestic Issue and Class B private placement. g) 3-mith Pibor flet. i) Over interpolated yield. i) Long 1st coupon. s) Short 1st coupon.

offering since it issued a debts of the social security \$300m perpetual in the US system, yesterday appointed Paribas and Deutsche Mor-• Cades, the French state- gan Grenfell as lead managbacked entity responsible for ers for its forthcoming euromanaging the accumulated tributary bond issue.

CDC Marchés will be global co-ordinator, with Paribas joint lead manager for the French franc tranche. Deutsche will jointly lead the D-Mark tranche.

Day's Mitt's Sort

WORLD	BONI	PRI	CES					
								-
Benchm		COAF						
Jan 20	Red Deta	Coupo	n Price	Bid Yleid	Day chg \ yleld	Wk chg yield		Year ebo viri
			_				chg yld	
Australia	04/00 10/07		103,7470	5.1 <u>9</u> 5.83	-0.03 +0.01	+0.10	-0.29 -0.23	-0.99 -1,49
Acetha	09/99	_	104,4400	4.16	-0.02	-0.01	-0.21	+0.51
	07/07		100.1000	6.15	-0.05	-5.51	-0.18	-0.56
Beigium	01/00	4.000	29,9600	4.03	-0.02	-0.01	-0.27	+0.57
	03/07		107.8600	5.15	-0.03	+0.02	-0.22	-0.85
Ceneda	09/99	4,780	99,7800	4,89	+0.01	+0.16	-0.33	+0.95
	06/07	7.290	113.7000	5.35	-0.61	+0.10	-0.30	-1.24
Denmark	12/99	6.000	103,1200	4.23	-0.00	×0.03	-0.25	+0,44
	11/07	7.000	112.2200	5.36	-0.03	+0.03	-0.26	-1.00
Finland	01/99		108,7891	3.79	-0.01	+0.04	-0.29	+0.53
	04/08		114,0550	5.11	-0.01	-0.02	-0.27	-0.89
France	01/00	4.000		4.00		+0.02	-0.20	+0.69
	10/04		111,1700	4.77 6.08	+0.01 +0.01	+0.03	-0.19 -0.16	-0.23 -0.51
	10/25		105.0100	5.64	-0.01	+0.00	-0.16	-0.96
Cormony	09/99	4,000	100,2400	3.64	-	-0.04	-0.20	+0.57
	11/04		115.0900	8.84	+0.02	+0.03	-0.23	-0.47
	07/07 07/27		106,7600	5.09 E.65	-0.03	+0.02	-0.17 -0.19	-0. 59 -0.93
-	_	_	_	_		_	-0.23	-0.89
ireland	04/99		101.6800	4.75 6.36		+0.08	-0.18	-1.16
Italy	05/00		102,8100	4,60	-0.05	+0.01	-0.16	-1.45
	05/02		104,9600	4.95	-0.02	+0.03	-0.18	-1.45
	07/07		110,1500	836	-0.03	+0.02	-0.20	-1.93
	11/26		119,1100	5.87	-0.02	+0.64	-0.19	-1.97
Japan	12/02		112,3100	0.81	+0.05	+0.03	-0.03	-0.09 -0:48
	09/05		108,9100	1.75	+0.02	+0.08	+0.04	-0.63
	09/17	3.000	106.3700	2.58	+0.02	+0.09	+0.04	-0.67
Netherlands	11/00	7.500	108.0200	3.98	+0.01	-0.05	-0.25	+0.38
	02/07	5.750	105.0900	5.04	+0.01	+0.02	-0.16	-0.57
New Zealend	02/00	8.500		7.38	+0.04	-0.19	-0.40	-0.35
-	11/06		105.4826	6.69	-0.01	+0.01	-0.41	-0.88
Norway	01/99		104,7000	4.20 5.30	-0.02 -0.05	-0.06	-0.14	+0,41
Portugal	03/99	_	104.5049	4.43	-0.03	-0.04	-0.29	-1.01
100	02/07	_	T09.9002	5.36	-0.02	-0.01	-0.23	-1.18
Spain	07/99	7.400	104.2812	4,39	-0.07	-0.07	-0.12	-0.86
	03/07	7.360	114.4234	5.32	_	+0.02	-0.17	-1.29
Sweden	01/98	_	105.8718	4.81	-0.01	-0.03	-0.30	+0.50
	08/07	8.000	117.6720	5.55	-0.03	-0.00	-0.39	-1.04
Suitzerland	03/00		106,9200	1.67	-0.02	80.04 80.0-	-0.27	-0.27 -0.74
uk	08/99	6,000	98.8984	6.76	-0.03	+0.24	-040	+0.29
on.	11/04		103.0906	6.19	-0.02	+0.10	-0.17	-0.99
	12/07	7.250	108.6875	6.07	-0.01	+0.09	-0.18	-1.32
	06/21		124.4686	6.03	-0.02	+0.07	-0.19	-1.57
us	10/99		100.3980	5.38	-0.01 -0.02	+0.10	-0.29	-0.59
	08/07		104,3910	5,51 5,53	-0.01	+0.12	-0.23 -0.19	-0.80 -1.02
	08/27		107.4610	5,84	-0.01	+0.08	-0.12	-0 99
ECU	01/00		99,4000	4.32	+0.01	+0.01	-0.30	+0.35
	04/07	5.500	102 1600	5.20	-	+0.03	-0.19	-0.81
London classing, "N Yields: Local marks	ew York	closing.	مدا اطبق است	Single Value	ource. Inte	active D	eta FT Int	medon
tas at 12.5 per ce	ur bankirp	le by none	esidents.	- en (mp/g		- tomak (t)	The second	- Amul W
WEAT	H Plan		Dw 6-	-				
10 YEAR	BENK			TEA				
	Bio	Spread va	Spread			Bid	Spread	Spread ve
Jain 20	Yloky	Bunds 1	Bonds			Ylold	Burita '	-Bonde

	RBE	HCHM		SPREA				-
	В	Spread ti va		10		Bid	Spread	Spread
Jein 20	Ylei	g Bunda	T-Bond			Ylold	Burnta	T-Bond
Austrolia	5.8	-0.75	+0.3	O New Zo	alend	6.68	+1.61	+7 10
Austra	5.1	\$ +0.07	-0.3	8 Norway		5.30	+0.22	-0.23
Belgium	5.1				f	5.30	+0.28	-Q.17
Canada	5.3					5.32	+0.24	-92
Denmark	5.3					5.56	+0.48	+0 0
Finland	51				and	3.09	-2.05	-2.50
France	5.0		H0.4			6.07	+0 99	+0.5
Germany	50 51		-0.4 -0.1			8.55	+0.45	-03
ireiand Italy	5.3					5.20	+0.12	
utery Lincon	1.7				Interactiv			
Netherlands	5.0				closing. '	New You	k alasing	-
EMERG	ING N	LARKE	1 10	ORIDS		Day's	Mth's	Spro
	Rad		S&P	Bid	13ld	choe	chos	VS
Jan 20			Rating	price	yield	ylď	Vici	LO
		-	1 400 14	34 100	yiera	<i>y</i> ~	. ,	-
EUTOP	E							
Crontin	02/02	7.000	888-	93.0375	9.07	40.35	+0.58	+3.70
Poland	07/04	7.125	888-	102,4492	6.65	-0.01	-0.91	+1.22
Russka.	06/07		BB-	90.7433	11.64	-0.28	-0.26	-8.14
E LATIN A					,		7	;
	09/27	9.750	BB	94.5000	10.34	-0.03	-0.47	+4.55
Argentina								
Brazil	05/27	10.125	88-	91.1350	11.15	+0.07	-0.37	+5.36
Mendoo	05/26	11.500	88	118.0000	9.62	-	-0:35	+3.85
- 40/4				-			•	
T ASU		•			•	~ ***		
China	07/06	7.750	888+	102.0739	7,40	×0.35	_	+1.92
Philippines	10/16	6.750	BB+	84,2013	10.72	+0.02	+0.41	+5.08
Thalland	04/07	7.750	889-	83.7568	10.58	-0.27	+1.08	+5.00
# AFRICA	MIDDLE	EAST					-	
ebanon	07/00	0.125	BB-	102.2500	6.06	+0.20	-0.04	+2.72
South Africa		8.375	88+	99.1843	8.50	-0.03	+0.25	43.00
					9.75			
Turkey	09/07	10 000	8	101.4153	9./5	-0.05	-0.44	426
# BRADY								*1.
Argentina	03/23	5.500	BB	73.3800	8.56	+0.05	-0.31	·2.83
Brazii	04/14	4.500	B8	76.3800	10.30	-	-0.46	+4.69
Mexico	12/19	6.250	BB	84.0000	7.78	-0.01	-0.26	+2.10
/enezuela	03/70	8.750	8+	85.5000	8.17	*D.27	-0.16	₽7.46
		0,100		42.2240	7111		4-10	75070

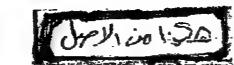
BONK	PUTU	RES A	ND OF	TION	Б			US CORP	ORAT	E BO	MDS	
France	_								Red		SEP	ı
H WOT	ONAL FRE	MICH DON	D FUTURI	SS (MATTE	7 17-500.0	00		Jen 16	date	Coupn		J
	Open	Sett prior	Change	High	Low	Est. vof.	Open int.	W UTLINER			7,50	Fi.
Mar	103.08	103.00	+0.14	103.16	102.98	85,627	139,144	Pilo Bell	07/02		AA-	•
Jun	102.40	102,32	+0.18	102.48		574	2,591	NY Tel	08/25	7,00	A+	
Sep	102.16	102.08	+0.16	102.16		2	-	CWE	105/08		888	
E LONG	O TENA PR	ENCH M	NO CALLE	SHE LITTLE	16			E FRANCIA	4	25 %		1
Strate.	1000	CA	LE			PUTS -	-	GECC	05/07	8.75		14
Price	Ja	n Fe	sb 1	Mar	June	Feb	Mar	Benc One	06/02		At	
97	5.8			1.17		-	0.10	US West	01/07	7.30	868+	
96	4.8	_		25	-	0.01	0.20	IR INDUSTRE		1987	7	•
98	3.8			1.40		0.06	0.37					***
100	2.8			2.62	0.01	0.06	0,49	Wel Mart	04/99	6.25 6.75	A-	
101	1.8 1.00 9.00	-		1.94	0.00	0.19	0.79	Dayton Hud	08/21		988+	
EUC. 104 H		D PMB 13,00	94° handele	deal or others	III., Last 10.	AND PLEE I	ett. (EE	* ,				
								E AGENCIES	A 86		***	-:
Germ	alty							FHLMC	04/07	7.14	N/A	
10 - 1 - 1 - 1 - 1	CIVILL GER	MAN HON	ก คภบค	ER IL SEE	P DM250.0	00 100th	OF 100W	SLMA	03/00	7.50	N/A	
100.0	_	_		_			_	FNMA	81/20	6.95 6.95	N/A N/A	
	Open		Change	High	Low		Open Int.	FFCB	08/06	9780		
Mar	106.40	106.37	+0.02	106.62	106.34	153477	257686	IN FROM YELL	D.			
Jun	105.96	105.79	+0.02	105.97	105.90	1120	4119	Spine Cont	02/01	9,56	В	
								AK Sti	12/01	9.10	88-	1
B ELIVE	FUTURE	OPTIONS	(UFFE)	M250,000	points of	1009		Pacelta	06/04	10.75	8-	
Btrike	-	Cil	115			PUTS -		New York closing.				
Price	Feb	Mg	Apr 4	ian Fi	eb Me	г Арг	Jun	Standard & Poort	rplings.	Yinda: on	mi-innų	a de
10000	0.46	0.86	5.00 1.	13 0.0	0.46	1.01	1.34					
10650	0.15			30 0.1			1.61					
10700	0.03	0.37	0.42 0.	70 00	6 1.00	1.63	1,91	100 100			_	
Est, upl. 1	otal, Calle 16	000 Pulls 27	617. Previo	us day's cy	pen Int., Call	A 230182 F	Min 2772462	US INTER		MAIL		_
								Lutier				7
									_	One s	w)	_
	DWAT CES			PUTURE	>6			Provide right	#	2 Two i	الأكاوا	-
(DTB)	DM250,000	100ths of	100%					Feel Assails		2 Skr m		
	Open	Sett prior	Change	High	Low	Est. vol	Open Int.	Fed Justis		- Com y	99°	_
Mor	105.20	105.14	-0.04	105.28	105.11		225,479					
Jul	-	104.71	-0.03	_	_	=	1.130					
_												
							-0.0000					
NOTE	ONAL GER	MAN BOB	LPUTUR	B (LFFE)	DINESTRO	JU 100016	GT 10076					
	Open	Sett price	Change	High	Low	Est. vol	Open int.	UK BON	DS			
Mar	105.13	105.13	-0.02	105.26	105.18	1,842	30,579	- CIT - CO III				
Jun	104,69	104,69	-0.02					FTSE AC	tune	ies (Court	٤
									-			_
Market								Price Indices LIK Gibs		Tue Jan 20	Chan	
Italy			- menue -									-
	CHAL ITAL			ALP: PUT	LINES			1 Up to 5 years		120.18		11
LIFFE	ura 200	ii iuutis (x 10076		_			2 5-15 years (160.81		1.1
	Open	Sett price	Change	High	Low	Est, val	Open int.	2 Over 15 year		197.28		1.1
Mar	117.36	117.48	+0.20	117.57	117.36	47287	123589	4 Irredeemable 5 All stocks (4		244.31 153.47		1.1 1.1
Jun	116.92	116.93	+0.20	116.92	116.84	3831	16908	a ve anoca (4	4)	153.47		L1
III (TALIA)	I GOVT, BOY	D STPI FU	TURES OF	TIONS (LIF	FB Lm200m	100ths of 1	100%	Index-linited				
						_					_	_
Strike		CAI	- au			PUTS -		6 Up to 5 year	rs (2)	213.82	0.	D

	Open	Cott	of 100% Change	High	Low	Cot	Open int.
•				_			
	117.36 116.92		+0.20	117.57 176.92	117.36 116.84	47287 3831	123589
_				TIONS (LIFT			
trikas			LLS -			PUTS -	
Hice		Mar	Jun		Mar		Atm
1700		0.97	1,33		0.49		1.40
1750		0.66 1.07			0.70		1.64
1800 a wal 1		J.46 154 Pum 196	0.86 M. Product	day's open	0.98 w. Calle t		7.93 71e10
a. v		n-vigag iac		One of the last			
pain							
NOTE	DAME BUT	HEST BOY	D FUTURE	S MET			
	Open	Sett price	Change	High	Low	Est. vol.	Open int.
for .	107.75	107.62	+0.02	107.83	107.58	60,577	96,01B
DK.							
	OMAL SING		DCC // CT	ET* £50,000	22mle of	40006	
MUIN							
	-	Sett price	-		Low		Open int.
Nair Uri	123-14 107-17	123-21 107-10	+0-12 +0-03	125-27 107-17	129-14 107-08	73597 499	199612 1925
				FE) 250,00			III
trike			LS			PUTS -	
Mice	Feb			in Feb			Jun
23	0-49	1-22	0 (0-07			15-44
24	Q-12	0-52		0-94			
=	0-03	0-30	-	1-25			
	olaj, Carlo 52	7 Puts 1176	. Provides d	bay'a opten in	L Calls 73	114 Puta 3	429 1
gr. Wal. II							
ST MOT II							
cu	SONO FUT	ures paa	TIFF BOUT	000,000			
cu					Jow.	Bet wet	Open int
CU BCU	Open	Salt price	Change	High	Low 102 16		Open int.
CU BCU					Low 102.16	Est. vol. 275	Open int. 5,865
CU BCU		Salt price	Change	High			-
icu i scu i		Salt price	Change	High			-
i satu i	Open	Selt price 102-22	Charge +0.22	High	102.16	275	-
icu i nati i iar	Open	Selt price 102-22 BOND FUT	Change +0.22 URES (CE	High 102.26 (7) \$100,00	102.16 32nds o	275 f 100%	6,865
CO I SCO	Open Copen	Selt price 102.22 BOND FUT	Charge +0.22 URES (CB Charge	High 102.26 (7) \$100,000 High	102.16 32mds o	275 f 100% Est. vol.	5,865 Open Int.
icu incui	Open	Selt price 102-22 BOND FUT Labest 122-19	Change +0.22 URES (CE	High 102.26 (7) \$100,000 High	102.16 32mds o	275 f 100% Est. vol.	6,865

un 16	Red	Counc	S & P Peting	Bid price	Sid visici	abo.	aris and	Spra ¥ Govta
i vyrinei	21.750		25.50	erre Trace		,	٠٠ <i>,1</i> ٣٠.	
E. CILLINGS			~. & - ` `			-		44.454
4G (HIII)	07/02	7.25	AA-	105.1701	5.00	+0.05	-0.31	10.50
T I OF	06/25	2,00	000	110 6107	4 46	40.11	50.10	±1.19
		. 3 * ***	2000	110,0101				
M BAS Y TW WE E FRIVANCIA	LS 🔝	49					ulita	177
ECC	05/07	8.75	AAA	118,70 92 105,2610	6.06	+0.06	-0.29	+0.56
inc One	06/02	7.25	A+	105.2610	5.90	+0.06	-0.37	+0.50
S West	91/07	7.30	8664	105.0220	6.55	+0.07	-0.26	+1.03
I INDUSTRE	ALS:		2			1 1 1	-,,	17.7
MX Tech	04/99	6.25	A-	100,1805	6.08	+0.05	-0.35	+1.07
MX Tech el Mart	05/02	6.75	M	1021.5-101	5.80	+0.06	-0.37	40.40
evton Hud	06/21	9.70	988+	131,8514	6.92	+0.05	-0.17	+1.12
MODICE:	B							
LMC	04/07	7.14	N/A	108,1705	5.83	40.08	-0.29	40.31
MA	09400	7.50	BALLA	VITE GARR	5.40	4D 06	_0.95	40 17
MA	02/18	8.95	N/A	132,3094	5.12	+0.08	-0.27	+0.32
re	08/06	8.96	N/A	132.3094 120.3910	5.85	+0.06	-0.27	+0.31
I HOOM YIEL sine Cont (Sit colts		4. 4. 4	1.1	0.300	·*		· · · · · ·	733
ne Cont	02/01	D. RIP	В	101,0000	0.00	_	wo	٠ _
SU	12/01	0.10	88-	104,7500	0.00	-	_	_
ceita	08/04	10.75	8-	BB.5000	0.00	_	_	-
S INTER	er I	RATE	s	Treasury Bits	and 9	ond Yiek	is	. 5.33
ne rain As lant rain	8º	Two I	(CE)	51 51 52	4 First 4 First 8 10-y	9 7001 9001		. 5.35 5.40 5.58

						Day's	Mth's	1
Jen 50	Reci	Caupan	S & P Retino		gaz yki	chge yid	cinge yid	
8.00,000,000,000	15991247						3350	4
S MAND DW		Same of	A STATE OF				200 - 12 A	
8 8	02/07	8.750		104,5200	6.11	+0.02		
Spein	70,10	4,750		103,8200	5,20		-0.21	
Philip Monta	03/04	· 8,376	· .		5.20	+0.01	-0.20	
Financi FRN	09/02	3.520		100,7105	4.02	en en en	-0.25	
IN BURGIFFE		S. 243	\$ St. 340	10 m	4 Sand		200	
Autorio .	81/04	1.500	AAA	103,8500	4.76	-0,01	-0.20	
Abbey Net	02/04	6.000		105.8600	4,90	-	-0.21	
Cred Fonder	02/04	9,125		119.9200	5.21	_	-0.19	
SCIF FFIN	12/01	3,750	AA-	00.1555	4.21	-	-0.21	
S BURD LINA	8.33	11.12	100	1	N. P.	V-V-V	15.64	÷
EER	02/07	7.000		111,4600	5.37	-0.03		
Abbay Nat	DEVIS	6,800		108,3500	5.08	-0.03		
Walt Dianey	06/00	8.625	A	107,7800	6.09	-0.04	-0.16	i
BB FRN	03/01	6,625	AAA	100,1853	4.82	-0.06	-0.12	
E BRGS	Sec.	3.		W. Carlot			÷	: :
RE	12/07	7.625		109.1854	6.34	-0.02	-0.18	
Ortadaer Bis	12/07	7,760		106,2063	6.86	-003	-0.14	
British Gas	03/00	7.68	Ar	100.8314	7.18	-0.02	-0.10	
Abbey Net FRN	02/02	7.890	- AA	99,6794	8.38	-0.03	-0.08	
# BURO 8		4		影響	12.7			ı,
	04/07	7.250		109.4515	5.88	-0.01	-0.20	
ABN Amro	06/07	7.125		105.5805	6.32	+0.01	-0.00	
Quebes	01/07	7.000		104,8289	6.39	-0.01	-0.12	
Citicorp FRIN	02/04	2 000	Á+	89,4780	6.04	-0.03	+0.08	
EURO CE		3.50	13.00		1	200	1000	ď.
	08/04	. Y . Z . Z. C.	-214-22					
Bityer L-Bk Fotonie	05/04	9.500 8.500		120.0597	5,73	+0.06	-0.29 -0.26	
Bell Canada	07/90	10.625		108.9437	5.55	+0.08	-0.15	
Doursche B FRN	09/02	3.875		101.3911	5.63	-0.05	-0.16	
B EURO YEN	45,000	W . S	11.00		A3753	1747 S	8 65	Q
	- A4							
Norld Bank	03/02	5.250		116.6000	1.15	+0.03	+0.07	
Spain Cred Fonder	08/02	5.750 4.750		118,6900	1.14	-0.01	+0.01	
ared Folicae	07/99	0.894		100.3212	1.63	+0.01	-0.02 -0.10	
	41700		244	100.00 16	wel	7441	-0.10	
onder desing.				Bou	rce: into	ractive D	Ala/FT In	ń
Standard & Poor's a	mirgs. Yk	HOSE LOCK	el couries	standers/A	- Proceedings	d beek,		

UK BONDS																		
FTSE Actua	ries (iovt. S	ecurit	ies												U	K Inc	lices
rice indices UK Gills	Tue Jan 20	Day's change %	Mon Jan 19	Accrued Interest	aci acij.											— High Jan 20		
Up to 5 years (12)	120.18		124.15	2.42 1.97	0.61	5 yo		8.25	8	6.30	7.0	9 (8.37 5.07	6.39	7.13	6.43	6.44	7.16
3 5-15 years (21) Over 15 years (4)	190.81	0.11	197.00	2.60	0.00	15 y 20 y		8.06 8.06		6.07	7.5		5.07 LOS	6.09	7.58 7.63	6.18	6.20	7,40
Irredeemables (4)	244.31	0.18	243,86	3.00	0.00			6.18	8 (8.19	7.7	4						- 1
All stocks (47)	153.47	0.10	153,52	2.32	0.58			_	- inti	etion S	P4	_			lation 1	OB4		
ndex-finited										Jun 19						3 Yr. ag	•	
Up to 5 years (2) Over 5 years (10)	213.82 217.87	0.08	213.70 217.57	1.88 1.08	0.00 1.14		o 5 ye 5 ws		2.99 2.00	1.00		3,17		2.21 2.79	2.22 2.80			
All stocks (12)	215.36	0.13	216.07	1.15	1.02	Otor	o jus		au.	4.01		4,50		a_r∎	<.00.	9.35	1	
verage gross reduniption	n yirida are s	sown above. C	oupon Bandi	Look (991-7-9	44; Među	ATC 876-	101154	; High: 1	11% a	nd over.	.†m	nt yield	yat Yes	r to date				
FT Fixed Intere	et India	00																
		G⊃ 9 Jan 16 Ja	n 15 Jan 1	4 Yrann H	Note: La	DW"				Jan	20	Jan 1	g Jen	le .tan	15 Jan 1	14 Yrag	دين	Liter
Sovt. Secs. (UK) 102	2.96 103.19	103.28 10	3.22 103.41	94.75 103	3.92 93	3.31	Fize	d inte	enst.	138	4R	137 P	139.5	1 1284	B 138.6	9 117 45	190 27	
FTSE International Ltd compilation: 139.27 (12/01	1998. All re 1/908. Iow 50	fits reserved. * 53 (03/11/75)	tor 1997/98 Runin 100: G	. Government	Securities	high s	inco o	ompleti eri inte	ion; 1;	7.40 DE	VOL.		49.18	03/01/75	. Fixed k	deposit high	h since	113.02
UK GILTS PE												,						
DK WC15 PI	HIGES																	
Mps	- Yahi - Na Bed	Pico E + gr =	_ 1997/98 _ High		Jieles	int 18	Red 1	Pice E +	-er-	High	M Liter			Notes	(i) Yes	(2) Polon P	+#1	1997/96 High Low
Berty" (Lives up to Play That	5) 399 712	116 1	162 1138	Treas 11 ¹ 2pc 200 Treas 10pc 2004_	14	10.13 2.43		11343		116 1 1	12,3	Indian d		(%)				
NES 74 SE 1998	7.25 7.25	100 1	864 100 1	Funding 31 ₂ pc 19		3.84	5.73	1招与 814	*6	8133	113 5213	2 ¹ 200	101	(/K_I)	2.90	.02 188k		96社 176社 95年 184品
		1852 - 4 1	14点 1852 (Хот 91 ₂ рс 2004 Тим 61 ₄ рс 2004:		6.55	6.25 E1#	1173)	***	11001 1	947	21 ₂₀₀	703	(78.8) (135.6)		19 1925 14 724	+6 1	95% 184/6 83/1 180% 947 1176
man 94-pc 1998bb 1	9.36 6.60	1822 1	857 102% (Com 91 ₈₀ c 2005 .		8.00	1.23	1184	+4	1223 1	10)3	2pc 1	80	69.5	289	l 14 207 <u>3 n</u>	+3.2	832 100% 2463 117% 0798 190
	7.50	1055K +4 1	114 16代	Engh 10 ¹ 200 2005 Trees 12 ¹ 200 2003	-6-	8.65	6.36 6.12	125 <u>4</u> 1282	+4	128# 1 130% 1	17人 24世	21 ₂₀ 0	105	(78.5) (74.6)		L10 1962 L09 196数		
	LUS 6.97			reas 8 ¹ 200 2005: Dans 9 ¹ 190 2005		7.43 7.84	6.12 6.12		*	130% 1 115& 1 125& 1	2412 042) 1211	21 ₂₀₀	13	66.2) 61.5)	2.09 3.00	.08 163 <u>1</u> 9 L07 1763 g	+4 1 +4 1 +4 1	1443
	146 640		08 ⁶ g 185§3 1	Trees 7 ¹ 290 2006	#	5.06	5.12	10911	46	1103	982	21200	78	63.0	3.01 :	171 i	+6 1	735 1475
				Trans 734pt 2008: Trans 8se 2002-8		7.M 7.54	8.16 6.49	110 <u>14</u> 105,1		111 <u>41.</u> 706 3 5 1	995	21 ₂ pc	'24# 30#	(97.7) _[135.1)		1.08 1442 1.05 147]]]	44 1	654 122基 63点 118器
			1	Ivant 114.pc 2005 Ivant B1 _{2.} pc 2007		9.50	6.61 12		4	129(1 1	151) 054)			•		ou buojecți yro iei ist		
			1	Peas 74rpc 2007	Ħ	0.07	6.07	105B	43	1095	5.	and Ø	2) 896. (b) Figure	esin peer	gneheses :	show API	been for
max 81-m: 2000 &	824 6741			Deses 13½pc 2004 Frees 9pc 2008 11		9.96 7.20	641 598	135]]	+4		31½ 087)	redect	rybesin	o of RPt	to 100	n Februar	y 1967. (Conversion Conversion
		1064 1	06 b 10013	mas Spe 2009		5.00	8.05	115L	+4	115	101	factor 180.D.	3.945. R	PI for M	y 1997;	198.9 end	for Decem	nber 1997:
		1144 +4 1 1624 -4 1	191 1135	(roes 6 ³ 4pe 2010) Zanv 9pe Ln 2011	*	E.17	6.10 6.11	1014		1027. 1271. 1	864, 0912	100.00.						
100K Bac 200041	7.72 6,61	1884 + bi	848 1B2/	men 90c 201211		7.87	6.1312	78.0	+3	1366, 1	09¥,							-
rgas Filip Flato 2001	916 667	1885 1 1885 1	90% 190% 1213 3913	irona 5 ¹ 200 2008- irona 73 ₄₀ c 2012-	-12## -15##	5.76	5.99 6.10 11	95,7 452m	+45		SELE 보기	•						٠.
mr 94:cx 2001th - 8		1002 1	Bit 1037					- 35	-36							٠.		
me 7m 3(D1 ±)		明然 拉丁	957 08 7 T	ine (Blue Tries	8							Oth	ar Eis	rod b	iteres	4		
uch 12pc 1999-26 11	147 7.171	M12m2 1	THAT TOURS !	Tress 8pc 201343 Tress 8pc 201644		6.75 6.82	£14 1	118E 17002	*	1196	447.2	·	41 FL	rea n	I FOJ 60		-	
Bir Hill 2002	EN EN	113 44 1 MEA 44 1	1907 1907 1	rees 8 kpc 2017	#	8.72	8.40	130 <u>13</u> 130 ¹ 3	12	131 2 1	20년 12년 14년				- Viet			7957/96
				sch 12sc 2013-1 Innes Apr. 2021##		7 <i>5</i> 7 6.49	6.15 6.04	158 <u>3</u> 134 <u>4</u>	4444	153년 1 125년 1	36년 84년		<u> </u>	- Haller		ed Palce 8	_	
ine to Fifthis Visus									_			Asian Do Bibers 1	er 10 ¹ 400 1 200 201	2009 ·		155 1901) 182 1431 ₂	-lg 13	8월 118公 34 1262
# 1 2 2 2 2 2 1 1 1 1 1 1 1 1 1 1 1 1 1	8.52 641 8.63 6.44		125 108° ₂ 1									Loods 1	31 ₂₀ c 200	6	341	_ 143h	. 14	41 ₂ 1321 ₂
ch Spc 3007	L% 6/3	110월 👬 1	112 1064 1	Consols Ope Par Loan 3/2001)		£37 £13	-	62以 57点 762	120	54å 56å 77]]	4321 4321	LCC 3nc	# 3 ¹ 200 in 20 Alt.		8.88 6.67	- 57 - 45	==	81 37kg
三 4/3 2000 井 子 :		114K +& 1 1872 +& 1	15& 11 0 45 (2004 3 ¹ 200 '61 AN		4.56 6.50	-	7012	+216	77]] (10]]	مخبطة	ster 11 ¹ 20 r. Spe 15° .	c 2007.	8.55 E	70 1344 ₃ 75 87	13	41 ₂ 121 ½ 87 79
mar 131∟pc 2000-3 _ 6 - 11	126 6731	周知 +4.3	198 (15%)	ireas 3pc '66 ML Cersols 21 ₂ pc		5,16	-	45,7 40,7	144	413	31#	Pwide /	Anglia 3%	z 2021 .	- 3	.72 167 AM	-/4 16 -12 16	44 48 48 48 48 48 48 48 48 48 48 48 48 4
•	154 6.35		184 1814 1	_		8.26	_	39[]		相為		41 ₄ pc	L 2024.		•	76 1582		-
"Tap" stock, ‡‡ Tan-ins elemption yields are cold	to son-res	cours on appli SBC Greenwal	castan. E Auc I Gara Bonk I	ston hunds, ad of Brighand cha	Er dhide sing jirica	nd. Câc a. 🛊 în	Agesty.	o jurico.	H 167)	Signa i	s pol	más pe	x £190 :	ngminai s	Faltock. F	TORPECTA	Little FJCSE	
														-			-	
	•			-												•		١.



CURRENCIES AND MONEY

Governor sends pound below DM3.00

MARKETS REPORT

By Simon Kuper

DNESDAY JANUARYSIN

ARKETS NEVIS DIGEST

nond to raise \$200m

arse S200m

The control of the co

A Company of the Comp

ointed for spring sals

From St.

Action of the second of the se

が では ・ 一 一 対抗

* (2000) 2000

ا المنظمة المنظمة

AND CONTRACTOR OF THE PARTY OF

BONDS

N FR. ATISATON

类为它

Mary Trans

"That makes life extremely vey of December business many predict that it can go many predict that it can go higher still. the exposed sectors but for The dollar was barely Mr Hawkins says: "We us, the monetary policy com- changed against the yen at could see a temporary move mittee," he said.

Currency strategists took hold back from raising interest rates for fear of hoisting sterling even higher. Howeconomist at Bank of America in London, cautioned: "In the past Mr George has rency, which is near a 12shown that when push year low. comes to shove, it is the domestic economy that takes priority in setting rates." The pound dropped 0.8

Jam 20

italy Lucembourg Natherlands Natway Portugal Spain Sweden Sweden

cents against the dollar and 0.6 pfennigs against the D-Mark to close in London at

POUND SPOT FORWARD AGAINST THE POUND

\$1.628 and DM2,988.

Y129.0. this as a hint that with the Malaysian ringgit and South to sell sterling, what do you pound above DM3 to the Korean won gave up some buy?" Few investors favour D-Mark, the Bank might ground after their recent the D-Mark at the moment. surges against the dollar.

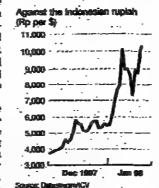
5 Per	il in Kery Y	***
Jan 20	- Latest	Prov close -
	1 6255	16235
V. Code	1.6223	1.6310
3 mm	1.6179	1.6260
1 ye	1.5961	7 6045
-		

(Boh) 21.0884 -0.0468 772 -996 21.2097 21.0552 21.063 4.1 20.8365 3.8 TUATITY 3.4 (BF): 61.8222 -0.1709 826 - 618 62 1680 61.7490 61.7668 4.4 61.3794 40 59.7572 3.6 (CK): 11.4192 -0.0253 147 - 236 11.4236 11.4020 11.4071 39 11.343 3.5 11.0748 3.2 (FM) 9.1636 -0.0147 598 .732 91.63 9.0630 9.0484 4.3 8.9926 3.8 87616 3.5 (FM) 2.39375 -0.0062 960 999 3.0169 2.9927 2.9937 4.2 2.9753 3.9 2.867 3.6 (CM) 2.39375 -0.0062 960 999 3.0169 2.9927 2.9937 4.2 2.9753 3.9 2.867 3.6 (CM) 472.195 -0.67 676 -515 475.207 471.574 476.413 -9.0 481.281 -8.8 506.936 -7.2 (CM) 1.1921 4.0.0239 907 934 1.1976 1.1993 1.1368 3.1 1.1022 1.7 1.1562 2.7 (L) 2944.96 -10.09 342 -550 2364.89 2941.37 2361.79 1.3 2944.51 1.7 1.552 2.7 (FM) 3.3776 -0.0044 781 .789 3.3979 3.3726 3.3736 4.4 3.3523 4.0 5.3634 2.8 (PM): 12.3660 -0.0186 502 -618 12.4342 1.23656 1.23522 4.1 12.2686 3.1 11.0073 5.5 (FM): 3.36546 -0.022 390 .703 308.202 306.173 308.474 2.7 305.053 2.8 268.051 30 (CM): 3.3528 -0.0738 695 -0.17 2.56.410 255.540 254.067 2.7 252.9 2.7 247.079 3.0 (CM): 3.31772 4.0.012 398 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352 4.408 -0.0112 338 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352 4.408 -0.0112 338 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352 4.408 -0.0112 338 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352 4.408 -0.0112 338 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352 4.408 -0.0112 338 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352 4.408 -0.0112 338 -422 2.4573 2.4375 2.4386 8.6 2.4156 6.0 2.3155 5.6 (CM): 4.4352

■ Last July, the pound rose Dollar The dollar shrugged off to DM3.08 against the the falling pound to advance D-Mark. When it then The pound fell yesterday D-Mark. It closed 0.4 pfen- gists agreed that this bull after Eddie George, governor nigs higher at DM1.841, run had hit its peak. But of the Bank of England, com- partly thanks to rumours now the pound has returned plained about its strength. that today's German Ifo sur- to the DM3.00 level, and

above DM3 just on the The Indonesian ruplah, grounds that if you are going Asian currencies are gener-The Bank of Canada inter- ally considered too risky for vened again to support the sizeable bets, and much of ever, Jeremy Hawkins, chief Canadian dollar after disap- the market is already long pointing manufacturing the dollar, Michael Burke, orders figures hit the cur- senior economist at Citibank in London, adds that sterling can rise precisely because most investors expect it to

behind consumer demand."



■ The Irish punt fell against

Ecofin meeting of European finance ministers passed with no sign that the currency might be revalued. The punt has long been

be raised before economic

12.9504 +0.0291 467 - 541 37.9650 +0.065 500 - 800 7.0125 +0.0158 115 - 135

Jan 26

VC-2 Austina
101.5 Balgum
103.9 Denmark
80.3 Finland
104.9 Fisnes
102.5 Germany
157.1 Greacy
129.9 Island
75.3 Isaly
100.8 Netherlands
97.0 Netway
91.2 Portugal
76.3 Spain
84.4 Sweden
107.0 Sweden

and monetary union began.

The market is applaud-But after the silence of Eco- ing Korea's efforts to refinfin, and a mere 1.5 per cent ance its debts. rise in consumer prices for . • The Korean and That DM2.515.

right, but everywhere mar- policy changes. ket analysts are cautiously suggesting that the Asian crisis might just possibly be beginning to ease.

enumerated what it considers to be the good news from head of foreign exchang the region: Japan appears to be pre- London, says: "Lamental paring a fiscal stimulus that is the life of the return the D-Mark after Monday's

Jan 20 E most investors expect it to a fall. That means that few long positions have been built up so far. He adds:
"Near term, there still seems to be a head of steam left behind consumer demand"

The punt has long been indicated by trading well above its midrate within the European built up so far. He adds:

"Near term, there still seems by talk that the mid-rate would be raised before economic by the raised before economic."

The punt has long been indicated by the punt has long been indicated by

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

gross national product.

1997, the punt fell 1.4 pfen- current accounts have nigs against the D-Mark to already moved into surplus. Korea, and to a lesser degree Indonesia and Thai ■ No one dares say it out- land, appears to be making

research at J.P. Morgan could be worth as much as driven investor faced with Y10,000bn, or 2 per cent of pitifully low yields on C Treasuries, Italian gover ment bonds. To her eyes, th potential returns in son Asian markets will appea templingly lucrative."

MONEY RA	TES							
Jenuary 20	्राज्यः - ्रीप्रस्य	Dine menth	Tirres Tirres	Sa mile	One year	Lomb	Da.	Repr
Beiglum	3,	31~	315	3;:	3."	6.00	2.76	
France	3.	3.	3	3,	3]	4.60	-	3.30
Germany	3.	5-	3 .	35	34	4 50	2 50	3 30
Irefond	€1.	6.3	5%	5.	474	_	_	6.75
Italy	6-	5_	6	5	5,1	7.00	5.50	6.23
Hethoriands	3,	3 2	3	3,	5.	-	2.75	3.50
Swczeriand	1	1.	2.7	1.	15	-	1.00	-
US	5.	5_1	50	5,	Б	-	5 00	-
Japan	12	<u> </u>		1	`4		0.50	-
I S UNOR FT Las	TOO T							
Interbank Fasing	-	5;-	51 to	5 +	5"	_	-	-
US Dollar CDs	-	5.35	5 39	5,41	5 44	-	-	-
ECU Linked Da	-	4 2	4 .	4	4.	-	-	-
SOR Unked Ds	-	3.	3.4	3;	4.	-	-	-

	degree Indonesia and Thai-	Interbank Fixing		: 9 5 5 ·	. S.		_
	land, appears to be making	US Dollar CDs	- 53				_
	policy changes.	ECU Linked Do		ું ના ના			-
-		SOR Linked Ds	- 3	- 3% 3	4,		-
analysts are cautiously	• China seems to have a	S LIBUR Interbury	fung rates as	e cliented radius for	\$10m quate:	to the man	et by Cur
	"very, very strong" commut-	reference have at Mandach, Barrier	11am cach exc	Many Cir. The bay	Na are Banke	es Inca Ba	th of Tokas
	ment to maintain the cur-	Vid may see them.	for the stomestic	Maney Rains LESS (ZD., EOU A SE	R Linkson Depo	es fils
	rency pegs of the yuan and						
oldman Sachs yesterday :	the Hong Kong dollar.	EURO CUE			RATES		
merated what it consid-	Avinash Persaud, global i	Jan 20		days One	Three	Su	One
to be the good news from	head of foreign exchange			ritnom eado	months	months	757t
	research at J.P. Morgan in	Eogan Franc	3/2 - 3/4 3/3	- 35 34 - 32	31. Ji.	35 - 312	3½ - 3H
	London, says: "Lamentable	Danes From	2 - 3 lg 3 l	- 32 32 - 32 - 32 32 - 32	3/2 - 3/2 3/2 - 3 <u>/2</u>	44 - 34	3
	is the life of the returns-		3/2 - 3/2 3/2 3/2 - 3/4 3/2	- 325 325 346	3/1 3/2	30 - 32	4 · 3 · 3 ·
	driven investor faced with		3/2 - 3/2 3/2	- 31 35 - 31 - 31 31 - 31	312 · 315 315 · 315	3% - 3½ 31 - 315	2[1 - 3]1 3[3 - 3[3
		Fortugaine Esc	5 - 36 54	-49 5.42	411 - 411		415 - 415
	pitifully low yields on US		42 - 42 42	- 14 13 - 14	41 . 45		4-5 - 4-1
	Treasuries, Italian govern-	Starling.	75 - 74 73	- 75 75 75	752 - 734	753 - 75	723 + 76
	ment and Australian govern-	Sads France	1일 - 월 1일		113 - 1,5 111 - 4,4		1]] - 1]] 5], - 4][
	ment bonds. To her eyes, the			- 414 412 - 414 - 515 - 515	411	4월 - 4일 - 11일	5십 - 설문
) E S	potential returns in some !		515 - 513 - 55 612 - 512 - 62		6 · 522	6년 - 5년 5년 - 6년	5(1 - 5). 5(1 - 5).
1058 1163 - 56 3084 35 6980 - 35 7370	Asian markets will appear	Japanese hes	2 32 03		19 (1)	2 . 13	14 316
7 339,631 · 329,279,203,250 · 206,200 · 4866,40 · 4884,00,3900,00 · 3001,62	templingly lucrative."	Acur SSmg		- 1012 15 - 113		15.5 - 11	9 - 6
0.4901 - 0.4991 0.3099 - 0.3064	A possible sign of a turn in	Shirt form miles at				S' riobetti	
	emerging markets is that	M THREE MON	TH PIBOR F	UTURES (MATIF)	Pans Intersan	k offered rate	•
9.7835 - 57299 60095 - 60105	Poland is now intervening to	Ope	n Suit pace	Change Higi	h Low	Est. voi	Open int
32/15 - 32/20 30/13 - 36/43	treaken its currency.	May 96 3	5 963€	- 963	7 96.35	4,023	76,403
	genien its currency.	Jun 96 2		+0.01 96.2		2.931	45.149
		Sep 36.1	2 96.13	- 36 1	5 96 13	2.677	31,115
AINST THE DOLL AR	"我们的一个一个	S THREE MON	TH EUROMA	RK FUTURES (JEFEN DMIN	n points of	100%
The second secon		Ope				Est val	
Day's crid One month	Those months One year 19 1/2/37		•	+0.01 96.3		29558	352076
high low Rate 4PA	Rate NPA Ross HPA moss	Mar 96 3		+0.01 96.29		29338 39152	339722
	i	Sep 961		+0.01 96.16		26515	240237
1 12.9570 12.9078 12.9074 2.1	12.2864 19 12.7384 16 102.6	Dec 950		VO.02 96 00		31126	231056
0 379900 378600 37689 24 5 70155 62914 78011 13		III ONE MONTH	BUNGOMARIA	PUTURES (DIT	FEI DM3m c	omts of 100)a,
5 70155 63914 7,0011 13 6 5,5706 5,5490 5,5569 2:		Ope	: Satt pince	Change High	Low	Est, voi	Open int.
7 6.1700 6.1465 6.1516 2.3	6.1327 29 60537 1.5 1044						
2 18430 18355 18374 22	1.5316 20 18079 12 100.3	Fy5 36.4 Mar 96.4		+0.02 96 49		50 500	133 150
0 290 360 269.03C 292 625 -11 0		tor .	26 40	TV.UL 20 4.	9043	8	50
3 1,3760 1,3645 1 3654 0,7	1.3655 9.2 1.2785 -0.3 - [7.5pt -	96.36			ò	1
C 1811 50 1805.23 1809.48 -0.7	131645 -04 180115 35 75.1	M THREE MON	TH EUROLIA	A FUTURES (LI)	FE): L1000n	n points of 1	100°5
0 37.9900 37.8300 37.589 24	37,7645 2.1 37,2725 1.5 101.7					,	
5 20796 20679 207 2.4 5 7.5951 7.5616 7.5743 2.1	2,5632 21 2,6361 1,3 162.9 1 7,5526 1,3 7,4862 1,2 96.4	Ope				Est vol	
0 789,340 187,750 186 135 0.7	187.825 09 166.04 12 31.9	1,12 94,4		+0.02 94 47		19427	138600
0 156.010 155.530 155.608 0.8	155,578 0.9 154,55 12 76,5	Jun 95.2 Seo 95.6		+0.06 95 56		40050 13850	137615 91959
6 8.0961 8.0480 8 085 1.1	8.0743 09 80426 06 644	Dec 95.7		+0.03 95.76		12451	114178
4 1,5015 1,4960 1,4932 4,7	1 4836 4 1 1,4416 3.8 106.5	E THREE MONTH					
8 1.6392 1.6275 1.6257 2.0	1,6209 1.9 1.5985 1.3 1047						
7 1.0780 1.0730 1.0757 -1.5	10779 -13 1.0251 -13 -	Ope		P			Open int.
		Mar 98 4		+0.03 98,49	95 45	5560	69899
		1 50 3	0005	.001 09 20	64.00	4001	17 TORO

	::Gr	96 35	96.36	-	96 37		4,023	76,40
_	المال	96 24	96.24	÷0 01	96.25		2,931	45.14
-	Sep	36.12	96.13	-	36 15		2.677	31,11
	S THREE	MONTH	EUROMA	RK FUT	IRES (U	FFEY DWI	m points of	100%
,		Open	Sett pace	Change	High	Low	Est vol	Open i
	Mar	96 37	96 35	+0.01	96.38	96.36	29558	35207
-	3:an	50.23	96.34	+0.01	96.26	96 23	39152	33972
3	Sep	96 15	96 14	-0.01	96 16	96.13	26515	24023
7	Det	96 00	96 00 UNIOMARIA	V0.02	96 Q2	95 99 Et DM2m	31126	23105
3	- Onc							
4		Oper.	Satt price		High	Low	Est. voi	
	Fy5	36.48	90.48	-0.02	BC 48	96 48	50	133
	l'ler	9€ 45	36.45	+0.00	96 45	96 45	500	150
	Spr 200		96 40 96 36	•	•	-	o o	50
• 1	?.Sar,	-					-	1
7	a THREE		EUROLIR		_			
		Open	Sen puce	Change	High	LOW	Est vol	-
	tar	84,44	24,45	+0.02	94 47	61 13	19427	13860
	العال	95 23	B5 29	+0.06	95 31	95.23	40050	13761
1	Sep	95.64	95.64	+0 06	95 66	95.61	13850	91959
;	Dec	95.71	95,74	+0.03	95 76	95.71	12461	11417
	E THREE	NOTITY E	INO SWISS	WALKS FU	TUMES	SFFE SFrim	(cores at 10	0 %
٠		Ореп	Sett price	Change	High	Low	Est. voi	Open i
٠.	Mar	98 46	98.48	0.03	98,49	96 46	5560	69899
1	Jun .	98.33	98.35	+0.04	98.35	98.32	4094	37066
٠	Sep	98.22	98.23	10.03	93.24	98.21	848	20920
	Ewc	98.04	96.05	•0.03	PE DE	96.03	262	11049
:	M THINESE	MONTH	ENWOVE	PUTUM	ES ILVAP	E) 1/100m	pionis of 10	DO:
١		Open	Sett price		H∮ạh	Low		Open s
u	t.far	99.17	53.47	-0.04	99.17	99.17	300	n/8
۱ ۱	Jun	-	99.28	-0.04	-	-	٥	n/a
	Sep	•	99.20	-0 04		-	0	n/a
	M THREE	HONTH	ECU FUTI	JPES (LI	FE) Equ	1m points	ol 100%	
١.		Open	Sett price	Change	High	Low	Est voi	Open a
١.	Mar	95.66	95.65		95.66	95.64	678	8615
١.	น่นก	95.71	95,69	4	95.71	95.66	173	6780
١.	Sep	95.72	95 71	+0.01	85.72	95,70	304	9581
١.	Des	95.88	95.88	+0.02	96.88	95.88	40	4261
-			ided on APT 10NS (LIFF	E) L1000r	n ponts	of 100%		
-1	Sinke		CAL	LB	-		PUTS	
-	Price	Ma	er Ju	n 5	ing.	Mair	Jun	Sep
d	9425	92	S 1.00	1.	41	0.08	0.02	0.02
	9450	0.1	3 0.83	2 1.	17	0.18	0.03	0.03
-1	9475	0.0	4 0.80	3 0.	94	0.54	0.00	0.05
- 1								

IS JAPANESE YER PUTURES (MM) Yen 12.5m per Yen 100 III ID-MANK PUTURES (IMM) DM 125,000 per DM Label Crimos High Low Bit vol Open Int.
0.5484 -0.0021 0.5468 D.5472 17,704 111,102
0.5479 -0.0022 0.5479 0.5479 20 3,367.
0.5679 31 1,633 0.7798 -0.0005 0.7910 0.7763 33,618 88,528 0.7900 -0.0005 0.8005 0.7868 166 2.290 0.8008 - - - 171 481

SAMES FRANC PUTURES (MAM) SF: 125,000 per SF? 0.6720 0.6719 -0.0001 0.6784 0.6807 12,117 0.6785 0.6785 -0.0002 0.6785 0.6785 12 0.6882 - 5 UK INTEREST RATES LONDON-MONEY RATES

UK clearing bank bees landing rate 7¹c per cent from Nov 6, 1997

Lip to 1 1-3 5-6 6-9 9-12

month months months months months Ceres-of Tax dep. (£100,000) 2½ 5½ 5½ 5 6 4Å₀

Ceres-of Tax dep. under £100,000 is 2½ 50. Deposits withdrawn for cash 1½pc.

Ave. twider rate of discount on Jan 6. 5.3745pc. £CGD fixed rate Stg. Export Pinence. Attake up day Dec 51, 1987. Agreed rate for period Jan 26, 1988 to Feb 24, 1986, Scheme II 8.85pc. Felerance rate for period key 29, 1997. Dec 21, 1997. Bichemes IV 8 V 7.705pc. Finance House State Spc from Jen 1, 1996

IL THREE MORTH STEELING POTUMES (LETT) 2500,000 points of 100% \$2.40 \$2.41 +0.02 \$2.43 \$2.40 \$2.45 \$2.48 +0.04 \$2.52 \$2.46 \$2.60 \$2.52 +0.04 \$2.57 \$2.50 \$2.61 \$2.83 +0.03 \$2.88 \$2.61 \$2.03 \$3.04 +0.02 \$3.08 \$3.03 14686 136709-21553 122826 16673 93821 14384 57824 5380 71882

0.14 0.22 0.39 0.05 0.12 0.17 0.21 0.36 0.38

BASE LENDING RATES Adam & Company 725 Easter Trust Limited 8.25 Singer 3 Principlander 7.25 Alled Inst Bank (GB) 7.25 Principla & Gen Bank 8.00 Syntin & Williamson 7.25 Sun Benking Corp Ltd 7.25 Sun Benking Corp Ltd 7.25 TSR 7.25 TSR 7.25 Banco Babao Vizzaya 7,25 Guinness Mehon 7.25 Hotel Som M. Zusteh 7.25 United Bank of Kuwalit. 7.25 Bank of Cypros 7.25 Bank of Impand 7.25 Of tembros Bank 7.25 Unity Trust Bank Pt 7.25 Bank of Impand 7.25 Rentados & Gen tor Sk.7.25 Whitesway Leidaw 7.25 gaue of pices C. Hoere & Co 7.25 Bankof Scotland ... 7.25 Hongkong & Shanghai 7.25 Barchys Bank 225 ... Investor Bank (UR) Ltd7.25 • Marriage of London Bith Bik of Mid East ... 7.25 Change NA 725 Johan Hodge Bank 725
Change NA 725 Gleopold Joseph & Sort 725 Citizente NA 725 Loydis Bank 725 Clyclescale Bank 7.25 * Micland Bank 7.25

Mer 95.20 95.21 Jun 95.25 Sep - 95.27 All Open Interest figs. are for pre-95.21 95.20 205 95.25 15.27 1,24 0,99 0,75 Est. vol. total, Cale 19565 Puts 11176. Predicts day's open inc., Cale 319051 III EURO SWISS FRANC OPTIONS (LIFTE) SF7 1m points of 100% 0.12 0.31 0.10 0.04 0.14 0.06

STERLENS PUTURES (MM) 992,500 per C

0.796709 1905.45 5.85424 163.826 197.396 8.45863 7.34555 13.3455 1.92573

1.8258 -0,0038 1.8080 1.5190 -0,0028 1.8380 1.8080 -0,0054 -

. 1944.61 -2.78 5.98338 +0.00804 167,627 -0.063 202,351 -0.08 6.82513 -0.00571

-0.00429 -0.0051 -0.00095 -0.00098

\$11,555 40,201 5.54 0.553830 +0.002245 -16.80

1.24 0.85 0.70

EMS EUROPEAN CURRENCY UNIT RATES

7.53656 13.5205 1,97864 2,22968 40.8146

- CALLS

WORDINVEST NOTICE WORLDINVEST INCOME FUND

The Trustees of the Worldinvest Income Fund are pleased to announce a final distribution of USS6.50 per share to Shareholders in respect of the half-year period from 26 June 1997

For inolders of beaver units with accompanying coupons. Coupon Number 42, and any previously unpresented coupons, may be presented for payment on or after 2 February 1998 to.

BankAmerica Trust Company (Jersey) Limited, PO Box 120, Union House, Union Street, St. Heller, Jersey, JE4 8QE, Channel Islands

For holders of represent units, the dividend will be distributed in accordance with individual mandating instructions in place

nents will be made subject to any applicable fiscal or other regulations within fourteen days of such presentation

Final Report and Accounts for both the Worldinvest Income Fund and the Worldinvest Excele Fund will be available at the offices of the Manager from 12 March 1998.

WorldInvest (Managers) Jersey Limited

21 January, 1948

U.S. \$300,000,000



Crédit Lyonnais

Subordinated Floating Rate Notes Due 2000

Interest Rate Interest Period

9 -14 -15 -16 -17 -18 -20 -27 -20 -20

Man

Low Est, vol Open int. 94.39 71,087 482,796 94.45 78,783 401,087 94.44 60,901 282,872

7,865 1,897 45

0.01 0.02

5.6875% per annum 21st January 1998 21st July 1998 Interest Amount per

U.S. \$285.95

U.S. \$10,000 Note due 21st July 1998

Credit Suisse First Boston (Europe) Ltd.

Appointments Advertising

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please contact: **Toby Finden-Crofts** +44 0171 873 4027

PERSONAL

PUBLIC SPEAKING

Training and speech writing by award winning speaker. First lesson free.

Tel: (01727 861133)

IREGRESSION AUDITED IREGRESSION Number to AUDITALIA. PARSES THE TOTAL AT SOUTH AFRICAT CROUP COLD MINING COMPANIES
MARY OF REPORTS QUARJER ENDED.
rly results have been prepared after applying International Accounting to the accounting for casels, liabéties, cash flow and operating results, agnificant change is that the majority of capital expenditure costs are using the units of production method based on estimated are reserves.

The most

and the sale of Western Arece North Shaft to Randomein Est The Rimillaritein Entered Gold Missing Company, With field - grams per lan Gold production - lalogram 3,17 5.439 1.961 Ore miled - short tens (000) Yield rainces por ion Gold production - ounces Costs production costs per metric ton muled per bilogram produced P149 09

R45 976 61 244 85 216 Prolet from gold Prolet before tax 44 228 Profes differ top. The Western Cold Mission Common Limited 31 12*9*7 713 Ore miled - routic tors (000) Yield grams per ten Gold production - lalograms One milled - short tons (000) 8 27 2 819 351 0,259 Cre mitted - stort rote (UU)
Yield - surest par ten
Gold production - outsies
Cash production costs
- per metric ton mitted
- per hilogram produced
- USS per cunce 2393,06 844 340 \$287 2351.00 \$40.724 \$273 ROOG ash costs in respect of the retrenchment and restructuring programme and North Shaft operating loss of R67,197 million and R20,526 million respectively

	Quarte	r ended	Six months ended
	31.12.97	30.09 97	31 12,97
Controlled - move one (CCC)	321	320	641
Yald - grors per ton	6,30	6,44	37,ه
Gold production - lolograms	2 021	2 060	4 081
Ore milited - short tens (000)	354	353	707
Yield - conces per los	0,184	0,188	0.186
Gold production - ources	64 977	66 231	131 206
Cash production casts			
our matric ton miled	R237.46	R247.04	R242.25
per lalogram produced	E37 717	R38 375	k38 04*
LESS per cueze	5264	\$257	525
	1000	R000	R000
Profit from gold	19 224	17 888	37 117
Profit before you	18 854	18.592	37 434
Profit ofter tox	18 854	18 582	743

Limited, 6 St. James's Place, London SW1A 1NP

The Co-operative Bank? 25 NatWestmireter
Coults 5 Co 7.25 ORea Brothers

Move to refloat freight indices

London's Baltic Exchange is considering the relaunch of tanker derivatives

Exchange, the world's ing tanker routes. oldest shipping exchange, is ous attempts failed more than a decade ago.

In 1985, the exchange 1986 one for tankers; both The dry cargo Baltic International Freight Futures Index (Biffex) is still with us. though trading in Biffex futures contracts on the London International Financial Futures Exchange is low.

Futures Index (Tiffex) died the same year it was launched. Tiffex traded 121 lots on its first day but swiftly dropped below that By its end, no more than 30 contracts a day were being

Gordon Southcott, who is for tanker derivatives to the Baltic Exchange's board, says the plan - which might be termed Tiffex II - is more than a re-creation of the

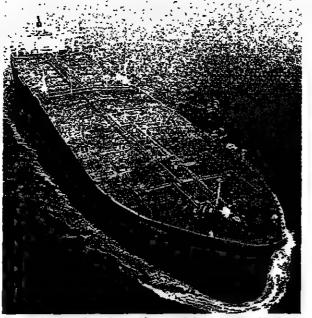
oday in London the freight index based on an board of the Baltic averaged-out basket of lead-

"There are too many indimeeting to consider dusting ces around as it is. What we down a piece of history - the are proposing to do is proprovision of a series of vide a series of tanker route tanker freight rate indices. It freight scales for the purpose is an optimistic move; previ- of trading paper," says Mr Southcott, chartering director of Fiona Maritime Agencies and chairman of the launched a dry cargo ship- Baltic Freight Index Comping freight index, and in mittee. "The Baltic has been asked by the Forward linked to derivatives trading. Freight Agreement Brokers Association to set this up." The FFABA was formed in September 1997 by a group of

brokers who actively trade forward freight agreen or FFAs, which are traded principal-to-principal con-However, the Tanker tracts for a specified route International Freight on a specified date. hedging risk and are, accord-

ing to some brokers, more flexible and therefore more attractive freight derivatives than the Biffex, which is now an average of 11 different routes. But FFAs have been limited mainly to dry cargoes; the new initiative is to extend them to tankers.

FFA business has soared since the market started in 1992, According to Philippe van den Abeele, director of Clarkson Securities (part of For one thing, there is no Horace Clarkson), his vol-the shipbroker E.A. Gibson,



Tanker indices should provide a useful pricing mechanism

which neither party to the option to lift the cargo physically - in dry cargoes and some tanker freight has soared from a £500,000 start in 1992 to \$850m in 1997. Eric Shawyer, chairman of the Baltic Exchange and of

industry since 1948. He believes Tiffex died because "the whole business of freight futures and deriva-

tives were in their infancy". "At that time there was no call for them. I think this new initiative will work but only if it's a tool for business and not merely for gamSupporters of the move hope the new tanker freight assessments will also provide a useful pricing mechanism for the tanker freight business as a whole, as well as advancing the cause of Mr van den Abeele sup-

ports the Baltic's efforts to get a new tanker freight derivative off the ground, but is "not entirely convinced" it will succeed. "If it works, then it will be

great business for us, but

there may difficulty in achieving a sufficiently liquid market for FFAs in tanker freights. I am not sure if those in the tanker industry - principally the charterers

- are really keen on the idea. Their main concerns have always been logistics and the actual price of the commodities they trade; the cost of freight has often been relatively incidental to

Mr Shawyer says that, if today's board meeting backs the plan, the new tanker freight estimates will be given a dry run on the market "by the end of Febru-

is he optimistic they will swim, where Tiffex sank? "Hope springs eternal," he

Gary Mead

India forced to increase cotton imports

By Kunai Bose in Calcutte

India is being forced to increase imports of cotton because of a shortage of domestic supplies. Bad weather means this season's crop is smaller than expected, and supplies are taking longer than usual to arrive.

A 35 per cent rise in the price of highest quality extra long cotton is also making replenish stocks through imported cotton more attractive to textile mills.

The mills are making "fairly large imports" of Giza 86 variety from Egypt and

Pima cotton from the US, "too optimistic". The crop medium long staple cotton from Russia and Australia.

"The shortage of high quality cotton in the current season will be much greater than the Cotton Advisory Board has projected," an industry official said, "and therefore, the mills must imports. Trade officials said the

CAB's crop forecast of 16.9m. bales (of 170 kg each) for the current season had been

according to trade officials. could turn out to be as small They are also importing as 15.5m bales, they said. Last year's production was a record 17.55m bales.

The domestic crop losses will be highest in the northern Indian states of Punjab, Rajasthan and Haryana. The late arrival of the monsoon. bringing unseasonal rain in October and November, caused withering of cotton bolls and leaf curl virus over large tracts of land,

This will restrict the cotton production of northern states to 3.3m bales in the

4.35m bales in 1996-97. Nearly 50 cotton growers

in Andhra Pradesh, the country's second largest cotton growing state, committed suicide in the past two months as the crop failed in nearly 300,000 acres. Trade officials said only

4.87m bales arrived to merket in the first three months of the season, compared with 5.51m bales last year. However, India's poor crop

monitoring system means the textiles ministry was not aware of the shortfall in pro-

current year, compared with duction when it released 720,000 bales for export in the current season. Deepak Parikh, chairman of the Indian Cotton Mills Federation, said the government should not allow any further exports.
The CAB said India would

start the next season with stocks of only 2:052m bales, which could mest the industry's requirement for a month and a half. "Normal opening stocks

should feed the mills for at least two and a half months," Mr Parikh said.

Oil price falls on progress

MARKETS REPORT By Robert Corzine, Kenneth Gooding and Gary Mead .

prices softened yesterday as petroleom markets searched for new factors that might set a more definitive tone to trading. Brent Bland for March delivery was \$15.63 a barrel in late trading on London's International Petroleum Exchange, 15 cents down on Monday's close.

Some of the weakness was attributed to recognition that progress continued to be made on the Iraqi oil for food deal in spite of renewed confrontation with UN arms

On the London Metal Exchange zinc, which on Monday fell by 8 per cent, regained part of the decline, climbing 1.3 per cent, or US\$15 a tonne, to close at \$1,133. "The target for zinc is to break clear of \$1,150 but that's going to be tough," said Alan Williamson, analyst at Deutsche Morgan Grenfell.

Reynolds Metals, second argest US aluminium producer, said it will restart 47,000 tonnes of capacity because demand is strong. It said aluminium consumption should rise by 2.5 to 3.5 per cent this year and by 2.5 to 4 per cent for the rest of the decade.

Gold's price was volatile. At the close in London it was up US\$1.20 a troy our at \$288.75 but during the day had reached \$292.

Coffee futures rallied on the London International Financial Futures Exchange the benchmark March contract closing \$23 higher at \$1,748 a tonne, having peaked at \$1,753 earlier. Cocoa futures on Liffe also

closed higher, up £16 a tome to £1,049, though no fresh interest.

COMMODITIES NEWS DIGEST

Talks restart on Kolwezi project

Talks about the Kolwezi copper-cohalt waste dumps project in the Republic of Congo (formerly Zaire) will start again today. Gecamines, the state owned mining group, stirred up controversy earlier this month when it cancelled a tender for the project even though American Mineral Fields, a US company, had agreed in April to buy Kolwezi for \$1bn.

Gecamines issued a long statement yesterday to clarify its position. It insisted that it had scrupulously complied with its own procedures for granting contracts and said AMF had not satisfied the financial conditions.

AMF is suing Anglo American Corporation, South Africa's biggest company, for \$3bn in Texas, claiming Anglo interfered with the negotiations and offered to pay the Congo government tens of millions of dollars in upfront cash to squeeze AMF out. Anglo repeated yesterday that it was not interested in the project and had done no

A team from AMF arrived in Kinshasa yesterday to reopen talks with the government. An AMF official said: We have doubts about the Gecamines statement but we don't want to discuss it with the press. It would not bene fit our negotiations with the government and Gecamines. On January 12, AMF completely reconstituted its board

and Robert Stewart, the new chairman, is leading its Congo delegation. Mr Stewart, when working for the Bechtel engineering group last year, was directly involved in developing a reconstruction and development plan for Congo. The AMF official said the board reorganisation would have taken place even if there had been no difficulties with the Kolwezi project.

Kenneth Gooding, Mining Correspondent

SWINE FEVER

Germany moves to calm concerns

German agricultural officials yesterday moved to calm concerns raised by the latest outbreak of swine fever in the country. At a meeting of European Union farm ministers in Brussels, German officials said they expected the outbreak to die out by the end of the week and that testing was continuing. In the meantime, Germany has stopped the export of pigs from affected areas. Germany played down a ban imposed by Belgium on all

Imports of German pigs. According to officials, Belgium will lift the ban once Germany can show that the outbreak is over. In the past two weeks, there have been discoveries of swine fever, which is highly infectious, in two German states. There have been precautionary cullings of pigs in other states, including North Rhine Westphalia which borders Belgium.

The outbreak in Germany, which has affected one of the country's biggest pig rearing farms, comes in the wake of an epidemic last year in the Netherlands. The disease has also appeared in Spain. The European Commission has made clear it has no plans to ban German pig exports, and the farm ministers considered no such proposal at their meeting yesterday.

Tember 1400000 Farm 150000

😅 रेज्या देशस्त्राच्या 💥

process Caregories 1991

Meanwhile, Dutch authorities yesterday imposed new curbs on pig farms in the wake of fresh outbreaks in the Daniel Dombey, Brussels

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE Prices from Amelgemeted Metal Trading) M ALUMINIUM, 99.7 PURITY (\$ per tonne)

High/low		1509/1487							
AM Official	1480-80.5	1506.5-07.5							
Kerb close	1400-00.0	1498-97							
Open int.	271,748	1720 01							
Total daily turnover	111.998								
E ALUMINIUM A		rane)							
Close	1328-35	1351-55							
Previous	1325-35	1352-57							
High/low ANT Official	1037-39	1360/1351 1357-60							
Kerb close	1001-00	1357-90							
Open Int.	5.272	1000-00							
Total daily turnover	2.213								
E LEAD (S DAY TO	ELEAD (S per tonne)								
Com	510.5-1.6	216-50							
Previous .	\$05.5-6.6	514-15							
High/low		528/514							
AM Official	509-10	518-9							
Karb close		527-8							
Open Int.	33,230								
Total daily turnover	10,552								
MICKEL & per	orthe								
Cions	5300-10	5395-400							
Previous	5330-10	5435-45							
High/low		5405/5380							
AM Official	5325-30	5415-20							
Kerb close		5490-35							
Open int.	56,379								
Total daily turnover	29,312								
TIN (\$ per torine	1)								
Close	6115-26	5160-65							
Previous	5100-10	5145-55							
High/low		5170/5140							
AM Official	5115-20	6150-55							
Kerb close		5170-75							
Open int.	14,304								
Total daily turnover	5,233								
ZINC, special h	igh grade (S p	er tonne)							
Close	1108-09	1132-33							
Previous	1092.5-94.5	1116-18							
High/low		1146/1118							
AM Official	1108-08.5	1132-33							
Kerb close		1146-47							
Open int.	73,215								
Total daily turnover	33,424								

Sport: 1.6273 3 maths: 1.6198 6 maths: 1.6125 9 miles: 1.6042 76.10 -0.20 76.10 75.35 324 76.50 -0.25 76.60 75.50 256 77.80 -0.20 77.80 77.50 106 1,663 77.80 -0.30 78.30 78.80 300 5,874 PRECIOUS METALS II LONDON BULLION MARKET

1676-77

1704.5-05

M COPPER, grade A (\$ per torms

II LINE AM Official E/G rate: 1.6313

Gold(Tray az) \$ price £ equiv SFr equiv 288.00-288.40 177.06 431.53 292.50-293.00 286.70-287.10 Previous clase 287.30-287.80

p/troy oz 355 30 Spot 580.00 3 months 8 marths 354.25 355.06 354.55 568.25 Gold Coin 267,5-290.5

■ GOLD COMEX (100 Troy cz.; S'troy cz.) +0.2 293.5 287.2 61.207 72,704 +0.3 294.8 289.1 4,947 30,804 +0.3 297.0 291.9 325 12,506 +0.3 267.0 291.9 41 8,678 1492-92.5

Precious Metals continued GRAINS AND OIL SEEDS 77.76 +0.30 - 79.30 79.05 81.30 +0.30 81.40 51.10 +0.3 294.8 294.8 11 5.676

378.5 +0.9 379.0 379.0 2 69 -0.1 376.0 371.0 1,957 9,807 +0.5 - 45 667 +0.6 370.0 368.0 25 233 349.80 -2.00 382.60 347.50 2,719 21,253 366.25 -0.25 368.00 354.50 31 1,708 366.76 -1.75 370.00 366.00 180 3,342 PALLADRUM NYMEX (100 Troy oz.; \$/troy oz.) 230.85 +4.15 333.00 224.00 200 1,234 225.35 -8.15 227.00 224.00 5 838 MAIZE CBT (5,000 bu mm; cents/56tb bushel) 278.25 +1.25 279.00 275.75 45,180146,715 28.425 +1.25 279.00 275.75 45,180 146,715 284.25 +0.55 263.95 282.75 11,265 563.99 289.25 +0.25 289.75 287.90 9,325 65,782 283.75 +1.00 284.75 282.25 448 8,912 283.50 +0.75 284.00 281.00 34.97 38,010 289.25 +0.50 289.75 287.25 509 1,805 364.3 -11.5 - - 5 101 366.8 -11.0 - - 4 70.273 321,842 ■ BARLEY LIFFE (100 tonnes; € per tonne) 73.60 +0.35 - 16 75.10 +0.36 75.10 75.00 120 1,857 76.80 +0.80 - 24

III CRUDE OIL NYMEX (1,000 berreis, 5/barrel) 17.80 +0.07 17.77 17.50 2.952 17.680 IN CHUCK DIL IPE BY

47.05 +0.30 47.70 46.90 14.495 51.214 47.40 +0.15 48.15 47.20 10.222 36.180 47.65 +0.15 48.35 47.60 5.870 18.202 47.80 - 48.80 47.80 2.455 10.785 48.20 +0.10 48.75 48.20 870 15.525 142.25 -1.75 144.50 142.00 5,408 28,028 143.75 -1.50 145.75 143.50 1,306 13,835 145.25 -1.75 147.00 145.00 746 10,269 1,306 13,835 746 10,269 726 5,430 147.00 -1.75 149.00 147.00

752 13.103 104 3.485 11,492 101,389 III NATURAL GAS PE (1,000 thems; pance per them) 14.300 +0 050 14.310 14.300 15 3.345 11.350 - 11.350 11.250 560 1.790 995 11,945 2.100 -0.076 2.175 2.100 31,497 37,894 2.090 -0.069 2.155 2.085 7,486 27,890 2.115 -0.040 2.150 2.110 4.303 13.747 2135 -0.020 2150 2125 2,440 11,096

2,145 -0,020 2,165 2,145 745 10,873 2,165 -0,017 2,190 2,160 907 10,78\$ III LINLEADED GASOLINE YMEX (42,000 US gats; c/US gats.) 51.30 +0.31 51.90 51.10 17,128 31.157 51.85 +0.16 \$2.20 \$1.55 \$1.49 \$2.951 54.50 +0.38 \$4.80 \$4.25 \$1.51 \$16.551 54.65 +0.11 \$5.10 \$4.85 \$2.758 \$11.276 54.90 +0.38 \$51.5 \$4.80 \$2.30 \$1.798 54.70 +0.48 \$5.15 \$4.80 \$2.30 \$1.798

+16 1050 1030 3,123 81,014 +17 1075 1064 3,858 24,732 +17 1084 1076 149 13,726 +16 1116 1098 517 22,714 E COCCUA (ICCC) (SDR's/torms Price 1220.00

+16 1830 1800 389 1,862 +22 1753 1710 3,060 25,205 +11 1717 1685 1,436 10,338 +12 1700 1689 271 2,062 +6 1686 1670 90 848 +6 1682 1680 4 48 +22 1752 +11 1717 +12 1700 +6 1685 +5 1682 878.00 +11.00 682.50 669.50 873 1.046 674.50 +10.50 680.50 683.25 26,577 58,038 677.50 +9.50 684.00 669.26 26,577 58,038 677.50 +9.50 684.00 669.00 4,285 27,490 680.75 +10.25 888.00 671.00 3,718 29.061 679.50 +10.50 683.50 671.00 384 4,701 884.25 +625 868.00 660 80 59 553 38,813 133,340

SOYABEAN OIL CET (50,000/out canta/lo) 35.25 +0.70 25.52 24.59 1.286 1.051 25.66 +0.80 25.84 24.80 9,474 57,667 25.91 +0.73 26.10 25.20 1.632 19,796 26.10 +0.70 25.25 25.40 2,034 15,521 25.97 +0.62 26.10 25.38 42 4,346 25.87 +0.60 26.00 25.27 47 1,690 14,898 104,850 SOYABEAN MEAL COT (100 tons, \$/ton) 2022 +4.9 202.4 198.0 3,264 3,810 196.4 +2.2 198.0 193.5 11,434 48,200 194.2 +1.2 198.5 193.0 3,717 27,898 196.0 +1.4 198.0 194.4 2,995 18,585 196.8 +1.2 198.3 194.5 199 7,078 197.0 +1.0 198.9 195.8 207 4,732 21,634 113,725 ■ POTATOES LIFFE (20 tonnes: £ per tonne)

- 1122 1121 - 1115 1110 +1 1155 1146 - 1175 1165 -5 1055 1055 Close Intel 1144 1159 PULP AND PAPER

479.25 -0.75 480.25 479.25 502.25 -1.25 505.00 502.25 FUTURES DATA
All futures date supplied by CMS.

PULPEX OMLX (US\$; 24 air dry tons)

Minor metals from Metal Bulletin uriess otherwise stated fast week's in brackets, where changed, Antimoray 99.65%, 5 per tonne, 1,680-1,750 (1,550,-1,620). Blamuth: mn. 99.99%, tonne tots 3.15-3.35 (3.00-32.0). Cobalt: M8 free merket, min. 99.8%, cons a pound. 30.00-35.00. Cobalt: M8 free merket, min. 99.8%, 25.00-25.50, mm. 99.9%, 18.00-18.50(17.80-18.30). Mercury: min. 99.99%, 5 per 78 to flash; 140-150. Molybdensum: crummed molybdic codes, 3.7053.80 (3.80-3.85). Selenium: min 99.5%, 2.00-3.00. Tungsten over standard mn. 65%, \$ per tonne until 10kg) WO, CF, 40-52. Vanadiame min. 98%, CF, 6.40-6.50 (5.95-6.15). Uranismit: Nusceou urrestricted exchange value, 8.85.

1145 1123 3,074 27,870 1173 1150 1,373 18,818 12,100 186,870 +42 1800 1859 4,480 31,438 +40 1834 1394 1,327 24,901 +39 1882 1830 183 8,098 +39 1690 1858 525 5,871 1594 1,327 24,901 1530 183 6,098 1658 525 5,671 1890 58 9,701 1745 26 9,372 Prev. dity 1223.02 E COPPEE LIFFE (5 tonner; \$/tonne)

E COFFEE 'C' CSCE (37,500fbs; cents/fbs) 178.05 +11.00 178.50 168 00 3.949 15,848 168.95 +7.75 169.50 163.50 796 8.350 161.50 +6.00 162.00 157.50 307 3,196 154.00 +4.50 154.00 151.00 207 1,583 145.25 +2.80 145.70 145.00 120 1,748 140.25 +0.16 141.00 141.00 1 233 5,380 29,965

Prev. day 130.79 126.70 WHITE SUGAR LIFFE (50 tonnes; Sitonne) 297.7 -1.8 360.4 297.5 3,625 22,329 300.8 -1.7 303.1 300.9 1,089 11,378 303.8 -1.3 305.6 304.0 435 5,758 122 5,353 9 364 5,312 44,989 # SUGAR '11' CSCE (112,000bs; cents/lbs) 11.12 -0.08 11.40 11.1122_380 86,725 10.99 -0.09 11.25 10.9911,049 44,751 10.92 -0.05 11.07 10.92 3,912 27,982 10.94 -0.02 11.03 10.96 4852 34,793 10.94 -0.04 11.03 10.94 2,655 8,493 10.93 -0.04 10.98 10.94 58 1,698

66.38 +0.20 66.45 63.61 2.827 37,883 67.84 +0.25 67.89 67.15 902 15,473 69.16 +0.28 69.30 68.50 663 15,533 71,00 +0.30 71.00 70.85 2 1,670 72.13 +0.32 72.21 71.70 327 15,382 73.18 +0.35 73.20 73.05 36 640 36 640 4,829 87,508 IN OFMINGE JURGE WITCE (15,000) contaction 94.10 -0.25 94.75 93.95 6.200 22.347 96.90 -0.05 97.70 96.70 2.534 6.678 99.85 +0.10 100.50 99.80 617 4.431 102.95 +0.35 103.25 102.75 58 2.115 105.50 +0.75 105.75 105.50 96 1.975 107.95 +0.95 108.00 107.50 12 595

contracts traded on COMEX. NYMEX, CBT. NYCE, CME, CSCE and IPE Crude Oil are INDICES

E Reuters (Base: 18/9/31 = 100)

Jan 20 Jan 19 month ago 197 201 1744.3 1742.8 1744.2 1929.8 CRB Putures (Base: 1967 = 100) 228.69 ns. -■ GSCI Spot (Base: 1970 = 100) Jen 16 month ago 171.01 180.75

Zinc Tin

MEAT AND LIVESTOCK BILLIVE CATTLE CME (ILLOCODE conto/lice)

85.950 -0.475 68.400 65.900 7,911 38,642 85.650 -0.300 69.100 68.500 6,928 38,636 86.900 -0.125 69.925 69.776 2,061 21,967 71.575-0.350 71.900 71.400 341 72,550 -0.350 72,750 72,450 38 57,325 +1.075 57,400 56,800 4,107 20,622 83.525 +0.650 83.600 62.700 200 61,375 +0.525 61,550 61,000 58,400 +0.250 58,500 58,200 PORK MELLIES CME (AD, DOORS; CAMINICE)

47,650 +0.850 48,900 47,250 1,003 47,225 +0.575 48,100 46,850 751 47,425 +0.300 48,350 47,390 81 LONDON TRADED OPTIONS

COFFEE LIFFE 16 27 33

LONDON SPOT MARKETS

\$70-72

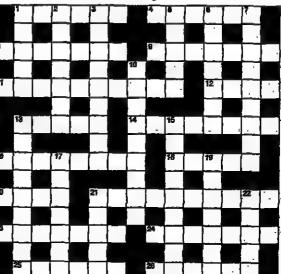
82.0±

3876

14.20-14.30 idon (0171) 359 8792 E CTHEN Gold (per troy oz) Saver (per troy oz) Platinum (per troy oz.) \$230.50 -0.50

Copper Lead (US prod.) Tin (Kuala Lumpur) Tin (New York) +1.0 Cattle (live weight) Sheep (live weight) 89.410 -1.74° 83.01p 64.90p -1,14° +0.92° \$297.00 Barley (Eng. teed) Maize (US NoS Yellow) Wheat (US Dark North) Rubber (Feb)♥ Rubber (Mar)♥ Rubber (KL RSS No1) 302.50m Coconut Oil (Phil)§ 20.0 Pelm Oil (Melay.)§ Copra (Phil)§ 570.0 \$380.0y -2.5 Boyabsana (US) Cotton Outlook'A' Index Woollops (64a Super) 180.0

No.9,586 Set by DARCY



1 One down and six across supply this for a familiar 4 Let out during booze-up, suffering after long haul

8 The first person a part of the Bible quoted as 26 (7) 9 Smile, if fellow goes in for second, but not last letter

12 I came across rejected 13 One well versed in 26 (5) 14 Choose wrong, ignoring outsiders in some very 16 One of a dominant few, ape leaves exotic archipelago

18 Elementary part of 14 or 26 20 Almost finished with new cooker (4)
21 Is nervous reaction in some spheres a lot to do with guns? (10)

23 In a more cryptic version for 26 (7) 24 Mind swapping ends before lutz, omitting first 26? (7) 25 One paying by cheque for storage facility (6) 26 I've finished every crossword ever published! (6)

1 Make a move with financial arrangements incomplete?

CROSSWORD

2 For fun, have a go at remix-. air Lennon version. 5 One entertained by Jane in 6 Red suits me when it's party time (7) A certain volume of tour-ism? (9)

10 With pencil, he and I doo-dle – we're 26s (9) brought out new issue (9) 15 Beautiful divorcee is taken in completely (9) Boat almost left with load

shifting (7)
19 Try to be casual during a race meeting (7)
Cheese, new in – it's runny and saity (5) 22 Supply food consumed, being in credit (5)

Solution 9,585

TATELS AMARYLLYIS S P N C P O S P N C P O S P O

(هر امن الاصل

FINANCIAL TIMES WEDNESDAY JANUARY 21 1998

Section 1

EDNESIDAY JANUARY

S restart on ezi project

The Control of the Co

THE PLANT

TAT BOOK

The Contract of

- Company of Charles

The state of the state of

The second distance

25 1000年12月1日 1- 12- 12- 25

-- Arthurst 7.602 (2)

Tel 27825

 $\nabla f = \int_{\mathbb{R}^n} df \chi_{ij} \, \frac{dg}{dt} \chi_{ij}$

The state of the s

A VICE AND THE STREET

FT MANAGED FUNDS SERVICE Offshore Funds FT Cityline Unit Trust Prices are available over the telephone: Call the FT Cityline Help Deck on (+44 171) 873 4378 for more details. IRELAND OFFSHORE AND OVERSEAS BTET Asset Management Grahadi 13d Harman Iroland 136 KZW Seco -8867 -886 271 -881 271 -893 BERMUDA Series Se (FSA RECOGNISED) 31173 - 10 mm - 10 r100%103 -9129 Standard Bank Fined Mana (Across) Ltd FO Ros 593 32 febre Arroy U The state of the s AT Fund Managers (1)

10 Strong Layer, hadin

10 Strong Layer, hadin

17 Catal Assess (via

19 2)

19 20 Layer (1)

19 30 Catal Assess (via

19 2)

19 30 Catal Assess (via

19 30 Catal Assess (via The Wanger Investment Company PLC (REGULATED)(**) # EL. 59 88E2 \$1 50 \$157 M \$157 M \$157 M \$157 M ISLE OF MAN FSA RECOGNISED AB GOVET Management (Jersey) Limited

To Carried Jean in Co. 13

To Carried Jean in Co. 13

To Carried Jean in Co. 13

To Carried Jean in Carried Jean Inc. 12

Jean BERMUDA GUERNSEY GOC Cachel Feedy ref.

Berfring Inderstollareal French Managery Br. P.S. rice, Capital Note Cache Cache
P.S. rice, Capital Note Cache Cache
P.S. rice, Capital Note Cache Cache
P.S. rice, Capital Note Cache
P.S. rice, Cache Ref. P. P. 4.3

Learning Wood and P. P. 1.4

Learning Wood and P. P. 1.4 MEGULATED) (REGULATED)("") 治療で活 Authoritos Global Frends Ltd (1200)
Analysi von 10-26 Peri Ra Douglas Idd (1200)
Analysi von 10-26 Peri Ra Douglas Idd (1200)
Pelona Mangras Fr. 4 (1512 | 1587 | 3 (8)
Pelona Mangras Idd (1512 | 1587 | 5 (8)
Pelona Mangras Idd (1512 | 1587 | 5 (8)
Pelona Mangras Idd (1512 | 1587 | 5 (8) 6171 228 7180 -E 71 — -E 12 — -E 13 — -E 130 — -E 1 Korum Padiernal State Fund Mr. S172 Lazard Investment Funds Ltd moves to calm concen Citioners - S14 425 10 21 Areb Benk Fund Managers (Gascones) Ltd All bearstone Fund Managers (Gascones) Ltd All bearstone Fund 11 Areb 3100 MS2 - -3104 2035 - -3140 H29 - -3141 1977 - -3151 190 - -3171 190 - -3181 310 - -Helm or Portificación 3 1627 6 1726 -0.30 3 3 sinter del Dende 1 5 6 6 1633 -0.37 b. 2 16 de 1633 -0.37 b. 2 1 ant List 00 3531 750 3400 Constitution from the Service of the Offit Statemen 200 Acc CA 3.50
Old Statemen People Statement Strained
SO Extraor Street Count - 2 Springs 01 201 301
Mill County Street Street Strained 01 201 301
Mill County Street St #201 0021255 +0000 000 -0000 000 *0000 000 *0000 000 *0000 116 *0000 116 *0000 477 *0000 477 58 72 51 80 11 81 51 80 11 81 51 80 11 81 51 82 91 51 82 91 51 82 91 51 82 91 51 82 91 51 82 91 52 91 53 94 54 95 54 95 54 95 55 95 56 95 57 95 5 Charidge investment Custer Enga Hell-Hy In-Custer Super Hell-Hy In-Custers Japan Schilly Cambon Alan Packer In-Cambon Forewas Hell Hell Charles Forewas Hell Hell 516.22 516.22 100.20 100.30 10 ISLE OF MAN (RECULATED)(") Property - State - One -International Joseph Physics 502 43 13,99864 - 0 631 Lurand Long Term-USS 502 43 13,99864 - 0 631 Lurand Long Term-USS 513 534 08m Pier Installe 3134 vised Change PREPARING FOR EMU 3.5 THE BUSINESS PERSPECTIVE 255,40 254.50 DAT 16.56 Hosted by Quentin Peel, Foreign Editor, the FT is holding a Breakfast Seminar to examine how EMU is likely to impact on business and how European Companies are preparing. Barring December Instant Passas Agreed and September 12 (2003 33) 200 - 0.00 of September 12 (2003 33) 200 - 0.00 of September 12 (2003 33) 200 - 0.00 of September 12 (2003 23) 200 - 0.00 of Jupillar Assat History services (Jersey) List 10 (2003 23) 200 - 0.00 of Jupillar Assat History services (Jersey) List 10 (2003 23) 200 - 0.00 of 10 (2003 23) 200 - 0 The seminar is to be held in Edinburgh on Thursday March 12 ming life \$1100.52 Millionnium Francis Pla GUERNBEY Stategic Income Chain A Stategic Secure Chain S \$10 12 \$10 11 \$1.00 5in Fd 1182 1012m 402 Jacom Sheet 11761 11111 421 Internation 2014 11111 421 Internation 2014 11111 421 Internation (Ci) Ltd (FILA RECOGNISED) In association with 39.20 398.00 Limited places are available COSSWORD

The state of the stat at a cost of £50. Pacific 21st Coultry Fund Board Fund India . 2910 26 10.56 ... Liberty International Arest Management Sarten Mover Fund . 110 A.00 +0.006 US Onlie Movey Fund . 510 6620 +0.006 If you would like to attend please contact Julie Arnold on 0.00

Offshore Funds and Insurances FT M FT Cityline Unit Trust Prices are available over the telephone. Cell the FT Cityline Help Desk on (+44 171) 873 4378 for more de	ANAGED FUNDS SERVICE	
bult Notes Suffrey Stayling + or Yidd bult Notes Suffrey Buyling + or Yidd bult Notes Suffrey Stayling + or Yidd Chapte Note Notes - Stayling - or Yidd Chapte Notes Notes - Stayling - or Yidd Chapte - or Yidd C	EMBOURG Saffer Replay or 10th Saffer Replay Broads - Condition Republic Republ	Series Bank Composition - Contol. Series Bank Composition - Contol. Equity Fund Managers
Court Cour	Section Sect	Separate Content Separate Co
15 Growth Companies 171.70 +0.02 Companies United Fel Enrift IS Destacomment Ref DMT4.73 United Gel 15 Growth Companies 171.70 +0.02 Comp	Class 1.5	Gabel Sci Volta S. Control S. Con
### ASSAM Management Libi 10 Ficandly Lindon Will USE 11 SA 200 10 Ficandly Lindon Will USE 11 SA 200 10 Ficandly Lindon Will USE 11 SA 200 11 Fire SA 200 11 SA 200 1	The Case of Mr. Fig2274 Case of Ca	TOW Lecomoboury Funds If Commission Control of the Commission Control of the Con
Complete Find in Dr. Delta Del	10 10 10 10 10 10 10 10	Common Deg 31
Desire Col SE (1981220 Fig. 4798) Fig. 4798 Fi	Company Comp	Big
Second Content 1-10	School in Loss Front Friends Frien	Serial Equation Serial
Senior Coulty Children County	Company Comp	WP Stream Gothal Growth Fund Grant Growth Stream Grant Gra
Comparison Com	### 1986 0	Application
Specific	IN THE PARTY AND	We interrupted 2 515.00 For All Services Assessment 1.0
Second legronger Second	Signature Sign	Security Districts Security Districts Security Se
Part	1 1 1 1 1 1 1 1 1 1	Case Lattin Personal State Case
Description	1993 Self-Code Plan 1994 Code Plan 1994 Code Plan 1994 Code Plan 1994 Code Code 1994 Code Code Code 1994 Code Code Code 1994 Code Code Code Code Code Code Code Code	Storfing Science
2 Construct Royal, List bit is work below in 14. bit is work below in 1	Compared Constraint Life Constraint Cons	1.5 1.5
Directions Annual of Covers 263 Sentimentary 10 Sec 484421	New General 251.77 2500 40,000 251.77 2500 40,000 250.57	Control Cont
13 Find Colombin. (BP 413, Lorentholosis) (ID 302 49)-0471 Colombin 19 413, Lorentholosis) (ID 302 49)-0471 Colombin 19 413, Lorentholosis) (ID 302 49)-0471 Colombin 19 413, Lorentholosis (ID 302 49)-0471 Colombin 19 413, Lorentholosis (ID 302 40)-0471 Colombin 19 413, Lorentholosis (I	Depth Dept	Second S
Date	Comparison Com	Sil Burth School - Pig2516
Section Sect	## 15 Life Order Recover ## 2 # 1.00	State Commiss Recognition 1,125
September Sept	to SA Dated Bared A Details Pripage No 10.73 +0.01 A State Control Bared B Del 20.46 State Bared Ba	Consecutive
Principle Company 1	Part	Priorit spend in String consists String cons
HT Starting Sorti	Coat	For Execution Delate

NEDVEZO'YA. 14WI. 4KA

1747

January Bar 200

18 H.

والمستعد المستعدد

TANK TO SEE SEE

37,7

770

大学の大

\$37

1

77.24

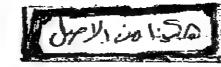
& Fates

A Property

A Court Cour

5.#<u>.</u>

54 Apr 19



FT MANAGED FUNDS SERVICE Offshore Insurances and Other Funds Caryottal Fund Manageron (Remandal) List Crystal Fund Manageron (List Manageron List) Der Fore Fund (MC) — \$146.50 INS. Dereghating Gas. F. Mettypaphrany Interference of the Committee of the Committe • FT Cityline Unit Truct Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details. Prescrier Life 1 har train line, Lucencouncy Incology (Others C of 17.59) Incology (Others C Safety September 1997 Selling Baying +or Yisti Pates Pace - Gross Secure Growth Fend Ltd (Bermuda) Earl Fuol MAY Dec 31 S11 12 Carbites Management Ltd Carbo ket Res Fd CST 200 11640 Control word fund D CST 200 11640 Control word fund D CST 200 11640 Control with tech States Fd States Control with tech States Con ment Oversess Limited Entry (107 S) Prido S 225 S Sent May SA Sent May SA Notice S 304 Sent S 225 S Notice S 304 Sent S 225 S Notice S 304 Sent S 30 ent (KOM) Limited Para 1 deci 16 Jan Crosto Pera 16 USB Heages Machine regio (see 3) 1990 97 1948 8 Margain Rocci (see 3) 57 35 46 Margain Michael (see 3) 58 54 Margain Michael (see 3) 58 54 Margain Michael (see 3) 58 54 54 Marg Managed Funds An open Funds An ope Cryx Fund Ltd 510 000 cotra Fesse Ltd Oryx Fund Lin SEC 20 11 Oryx (India) Fund Lid SEC 20 12 SEC 20 13 SEC 20 15 \$25.80 ... S.R. Cahad Parel Inc. 4-Graph 20114. Conclusion Section 52.71 MISSON France MESSON France The Appeter Fund III. Misson Francis (III. France) Francis (III. | George Constitution | Desiration | Des ner (othe Persons i) ner (othe Persons i) ner bothe Persons i) est (othe Persons i) PES Interpolitica أظأ ألده PRIS Independental PRIS (particular) PRIS (parti CAM United by Commercial Commerci ED & F. Mary Institution Products tean Lemand-ort services of the Services o Western Statement (March 1995) Record Statement (March 1995) Shorthal time Frich RD Designs (March 1995) Chackson Statement (March 1995) A program storing Blacower Introductional Discover Am Nov 28 - December Live Street 12 December Lines Street 12 December Lines Street 12 December Lines Lines Street Lines Lin Basic Intercuncional of Visionorra Emerge Morpe Accipitato Page 19 (19 Accipitato Page 19 pital Hamt Limited 29 477 39 100 26 531 Practical Protection February Follow February Follow February Follow Fol 125 49 125 29 126 61 126 63 126 63 126 63 126 63 127 62 121 62 121 53 484 -012 -017 -017 -084 -4.76 Actions France FF-1800 TO Model Indiana FF-180 Carrier Secretary Corp. \$19.79 39.900 Paragon Global Funds Ltd 7561 2057 \$11.11 Parts Proper Consens Longers # 2 to 00 to 1 to 1 to 1 # 2 to 00 to 1 to 1 # 2 to 00 to 1 to 1 # 2 to 00 to 00 to 00 # 2 to 00 # CHANGE PAGE CHANGE TO THE SE (ATTECHNET TO THE SE CHANGE PAGE TO Conception (al. (content ands.) (a. force for acregorations) pur partie Marie Apper introduction of the forest parties for the Color of the Colo Empte Matietale de Paris Ple MP South fain investment de List South Aco Acoust Skir . St. List South Acoust Skir . St. List Barelays Obstratified Found \$135A.33 -612 DIT-Bescher Bold Stranges Fund |a|-Lecture (exist) in [Miles 12 Vings (d) SIC OI State Committee Des Large de Grande de La Carlo de La Carl Screlist Explicible International SA 43 for Filemany, L-1956, Los (0) 342 4291301 us Cost (1) [7,13744 [8,1377] [8,1377] [9,13744 [8,1377] [9,1377] [9,1377] [9,1377] [9,1377] [9,1377] [9,1374] [9,1377] Control Contro INTERESTS INTERFEDENTIAL PROPERTY AND ASSESSMENT ASSESSMENT AS ASSESSMEN - Leasure & Serverce - Representation for the 19. - Serverce and 碧 J. Thompton Control Control X2240 - 19(2) Grip packers interrupture (plan packer) From an at Joseph 99 Jupiter Assect Management (plan) Ltd Jupiter Assect Management (plan) of Atic les Power Capital Limited +0.00 \$ 100 mm Edeleveius Port Golde Lief Will Sown Rose Print Lie. Brit Sown Rose Print Lie. Brit Sown Rose Print Lie Brit Sown Rose Print Lie Brit Sown Rose Print Lie Brit Sown Rose Print Lief Brit Jan 15 Brit Jan : Determine Market August Management Lighter Market Management Market Management Market Management Market Management Market Management Market Ma :32 | Disportant | Dis Tallement Expired for System 5-20 james; Tallement Expired for System 5-1 groups to State Specialist France The Financial Times plans to publish a Survey on Final Development Copital Paint No. 19. 23.27 The Their-Euro Panel List Institution from Magnetic List Institution from Magnetic List Institution of the 10. 10. 17.79 The Their Prison Panel Listings **Estonia** 発力 4 PTD VARIOS AND EATTPOON FORM, Die 21 . DATIGE 757 Problessional Invandenting Commitment Life International Aggression . 26.56 . A.E.Z. international Religional . 21.17 17.50 International Debrussion . 21.28 17.50 International Debrussion . 21.28 17.50 Bellement Francis Leady - General Street - General Street Leady - General Street - General Street Leady - General Prospect John dt May Prospect John und May Prospector Front Manageryant (Ini Protected Asset Manageryant (INI Protected Asset Manageryant (INI) on Tuesday February 24 1998 Symmetric Let Size 17 17 120 Brand Rest let Let Size 17 17 120 Publish Europe Lid Letter Let Size 111 121 For further information please contact: These Capital Management The state of the control of the cont The three-breath international fire for Date Street John Str. Law 15 (1975) and 1975 These Capabiles descriptions of the Control of the Stefan De Muynck in Tallin Tel/Fax: +372 2 474 680 GSM: +372 502 8596

LONDON SHARE SERVICE

Votame VI 000s Sr 3,514 4. 43 114 7,568 22 - 0.9 59 3.9 54 15.2 56 15.2 56 15.2 13.2 在第二个一个,我们是一个一个,我们是一个,我们是一个,我们是一个,我们是我们是我们的,我们是我们是我们的,我们是我们的,我们就是我们的,我们是我们的,我们也可以 第二个是是是是我们的,我们是我们的,我们是我们的,我们是我们的,我们就是我们的,我们就是我们的,我们就是我们的,我们就是我们的,我们就是我们的,我们就是我们的,我 58.66 75.15 60.60 11.00 東で5万部はあるのはのですが 2905 1,422 230 4,511 151 76 671 PE 21 229 45 105 TOOLS LAME R. Spein Fo. S. Without Land Strategie and S. Service Benefit and Service Serv 4211年11年11年11日11日第1等2號第1日日第1年1 本一章 年、「然本法・会は、L にいました 1,000 100 2,000 334 234 234 1,107 202 19 17 684 It pays to push your PEPs around. Section And Sectio Charles Schwab 中部 神神 山谷 にはいる。 ELECTRONIC & ELECTRICAL | Mail | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | 1987 | THE STATE OF THE PROPERTY OF T | Colored | Value | Va ANA SECTION Price

ANA SECTION OF THE CONTROL OF TH

32

CONSTRUCTION

STATES OF THE ST

PARTICLES

##

S SCHWAD

SICH THORSE VICE IS A MANAGER AND RECULATED BY THE REPORT OF T | 100 | 101 | 102 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103 | 103

24 188.9 13.1
25 186.8 17-1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26 282.6 1.1
26

INV TRUSTS SPLIT CAPITAL

表は「よしましましまし」」 1888年 - 1888年

のでは、100mmの

THE HOTELS

AND AND THE PARTY OF THE PROPERTY OF THE PARTY OF THE PAR

AND THE STREET STREET STREETS

attathu attachamite ite

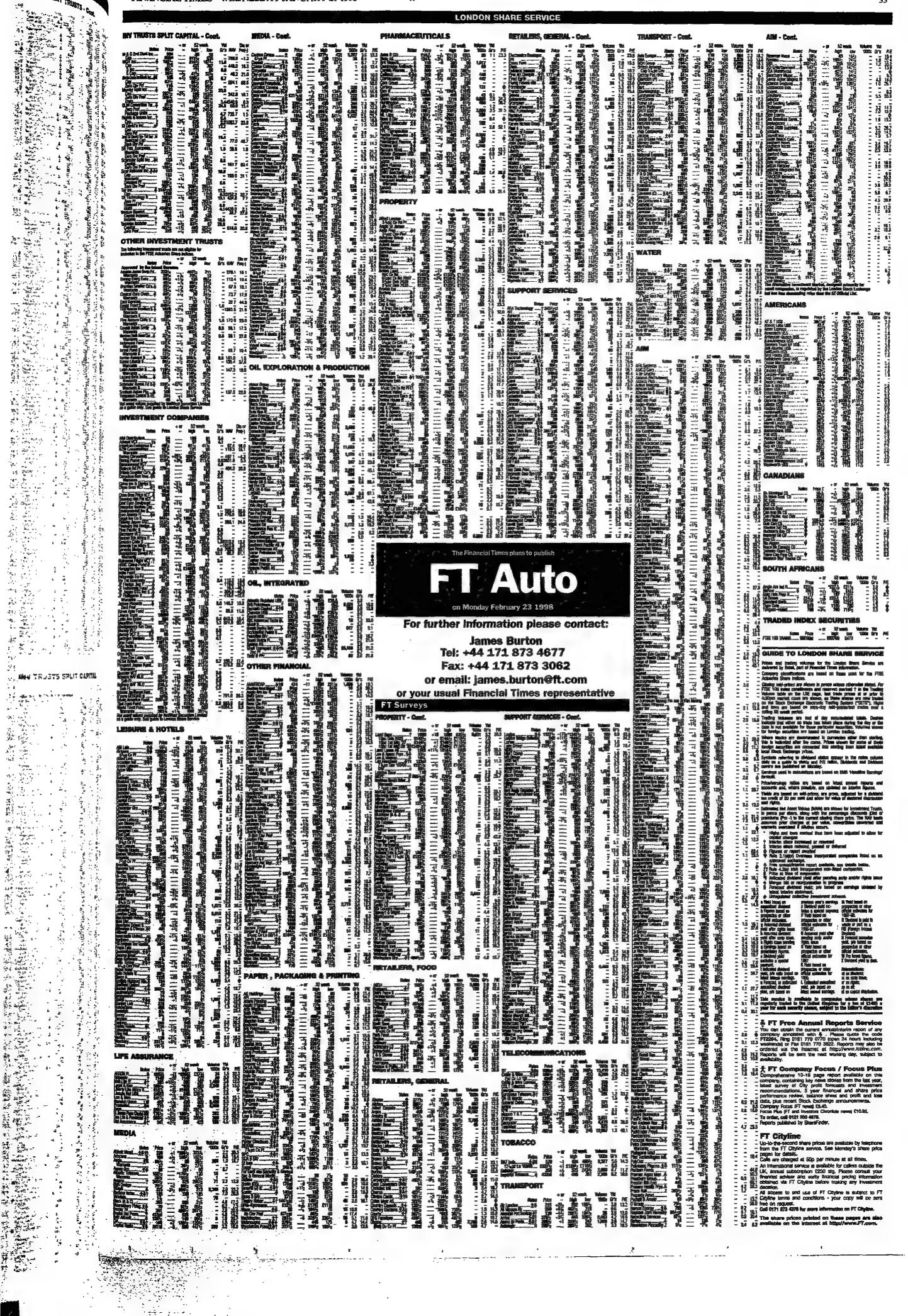
ه چه امن الرجل

WE DAE SDAY JANGARYA

TRUSTS . Com

Mary Might Hart Springer

MAN TRUSTS SPLIT CAPITAL



MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market gave a muted response to news of a potential merger involving one of the UK's biggest pharmaceutical

companies, SmithKline Beecham. The news initially sent the share price of SmithKline Beecham and other pharmaceutical slide left SmithKline pennies easier on balance. Stripping out the drug stocks, the FTSE 100 index would have shown a loss throughout the session.

In the event, the index finished the day 4.6 higher at 5,278.2, still well short of its all-time closing high, 5,330.8, and 89.1 below its intra-day record.

The index hit those records in early October, just before the turmoil that engulfed Asian currency and stock markets.

A clearer indication of the overall state of the market was provided by the FTSE 250 which, although never under any great stocks spiralling up to new selling pressure, was in negative all-time records, before a late territory all day, eventually closing 11.9 down at 4.820.9.

> The market's smaller stocks were similarly restained, with the FTSE SmallCap index closing 0.4 easier at 2,362.2.

cham had been discussing a merger with American Home Products, the third biggest of the US drugs groups, were circulating in the market late last week.

Confirmation that talks had taken place saw SmithKline Beecham shares erupt, along with those of similar drug stocks such as Zeneca, Glaxo Wellcome and Nycomed, as investors decided the move heralded another round of consolidation in the pharmacenticals industry.

Between them, Zeneca and Glazo Wellcome accounted for a gain of around 10 Footsie points. On Monday, the drug stocks were responsible for all but half a

Stories that SmithKline Bee- point of the index's gain of 10.5. Outside the drugs companies, it European markets in recent was mostly a gloomy day in the weeks, looked generally more market, with many engineering and other exporting stocks initially weakened by an early

upward move by sterling. However, later in the day, sterling slipped back below the DM3 level after some cautious words from the governor of the Bank of Rngland.

Pootsie fell away to record a 23.0 fail early in the session, as big institutions refused to get drawn into paying high prices for stock, preferring instead to book profits in some of the market's

recent winners. Asian stock markets, which

have tended to give a lead to secure yesterday morning.

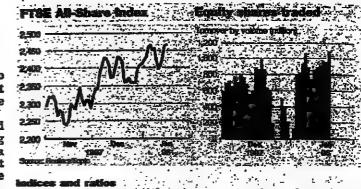
Pootsie's winners included Cable & Wireless, whose Hong Kong subsidiary is to receive a hig cash compensation payment for relinquishing its exclusive licence over international calls. On the downside, Prudential

from Jackson National, its US life Turnover continued at relatively high levels, eventually reaching 1.1bn shares, boosted by

a placing of 54m shares in Ele-

took a pasting after some disap-

pointing new business figures



5 Telecommunications

FTSE 100 Fut Mar 5300.0

TRADING VOLUME

CONTRACTOR TIMES

Section of the sectio

Beecham blows hot and cold

By Peter John, Martin Brice, Joel Kibuzo and Melanie

Confirmation by SmithKline Beecham that it has been in talks with American Home Products of the US sent the shares racing ahead before they fell back to where they had started the day.

At one stage SmithKline shares were up more than 8 per cent on the prospect they could represent equity in the world's biggest drugs company.

At its highest point, the market capitalisation was head to head with Merck's and above the valuation of

Pfizer and Novartis. Analysts saw potential cost savings to match those generated by the merger between Glaxo and Wellcome a couple of years ago.

However, further consider ation raised questions on how a merger would be conducted and what would happen to the listing.

Peter Cartwright of Williams de Broe said that when of Lucozade and flu powders. merged with SmithKline of the US valuations were equalised and the same could happen this time. That would imply a fall in Smith-Kline and a rise in AHP, he

per cent owned by US shareholders. With the prospect of a sharply increased US equity holding, the impact of strong sterling on profits and a non-British chief executive, there might be little rationale for the new com-

pany to be listed in the UK. One index fund manager said UK institutions would sell heavily if the listing changed, but there would be a rapid switch into the US.

The shares were on a prospective rating of more than 40 times earnings at one point, compared with a sector p/s of 30. From being above 800p the stock fell to close 3 off at 743p.

The prospect of corporate activity in the sector sent Glaxo Wellcome up 30 to £16.69 and Zeneca up 60 to

Sterling casualties

Although the pound dipped below the DM3 level, the possibility of its ongoing strength continued to take its toll on manufacturing exporters, which figured prominently in the list of leading Footsie fallers. Many had also suffered recently because of the Asian crisis.

Foremost among the fallers was Smiths Industries, which has only about 25 per cent of sales in the UK. The Beecham, the manufacturer shares lost 25 to 730p. Siebe, which was marked down strongly after recent strong results from Honeywell of the US, continued to suffer and was off 28 at £10.29.

LucasVarity fell 8% to 198%p as Guaranty Nominees, the US investor. SmithKline is already 40 reduced its stake by about 1

percentage point. It retains a 24 per cent holding.

The markdown spread beyond engineering, with Blue Circle off 6 to 317%p while British Airways declined 8% to 519p.

Outside the Footsie, Weir Group, which has about 20 per cent of sales in Asia, was the worst performer in the FTSE 250 as the shares fell 21 to 228p. PowerGen, one of the key

defensive plays in the London market, received support from Crédit Lyonnais Laing, which believes the stock provides the best value in the sector.

The broker says that, although the electricity sector rose more than 17 per cent last year, the government's decision to wave through Pacificorp's bid for the Energy group provides shares rose 24 to 873b.

tobacco companies and Congress, down from 80 per cent earlier. BAT Industries

closed a penny off at 579p. In telecoms, Cable & Wireless gained 71/2 to 5081/4p following news of a lucrative compensation package for Hongkong Telecom. The territory's dominant

Nycomed, the pharmaceuticals group, jumped 162 to

£23.97 ahead of presentations

to brokers over the next fort-

Early gains among tobacco

stocks were eroded following

heavy selling of the US

rivals. Sanford Bernstein,

the US broker, said there

was only a 60 per cent

chance of a comprehensive

settlement between the

telecoms operator has agreed to give up its monopoly on international telecom services six years earlier than expected in exchange for a compensation package

	Jan 20	Jan 19	Jan 18	Jan 15	Jan 14	Yr ago	"High	"Low
FT 30	3297.4	3312.3	3327.0	3301.1	3268.9	2027.2	3430.3	2668.8
Orci. div. yield						4.1		
P/E ratio net						17.96		
P/E ratio nil								15.71
FT 50 since compliators high 3490.3 15/10/97; low 49.4 25/05/40. Base Dain: 1/7/26.								
FT 90 hourly changes								

8812.1	3299.7	2000,8	2399.5	2915 3	291.0	3294,5	3293.1	松克.1	3912.1	283.6
			Jan 20) Jim	19	Jan 18	Jan	15 J	en 14	Yr ago
EAQ b	argains		86,95	9 68,5	959	75,277			2,949	48,323
quity t					NA.	2570.6			147.7	1033.4
cutty b	ergains	4		-	NA	56,774	48,5	194 4	2,932	25,461
hares t	raded (infit			NA	789.5	72	5.8	627.8	415.5
Exclude	a intra-c	nariost as	d oversee	a lumov	or but	Including	Creat to	STOPP.		

Il London sa	arket d	lete	 	_
Piece and falls' Total Piece Total Fells	800 887	Total Highs Total Lowe	LIFFE Equity options Total contracts Calle	

including HK\$6.7bn in cash. Cable & Wireless owns 54.2 per cent of Hongkong Telecom and derives around 65 per cent of its profits from

mentis.

the company. "Holding on to an exclusive licence was always going to be difficult, so Cable & Wireless has done well to tion," said one analyst.

BT in demand

Elsewhere in the sector, British Telecommunications was in demand, the shares appreciating 8% to 550p. while Orange stood out among the mobile operators, with the shares hardening

41/2 to 2784p. The impact of the government's plans for education continued to provide impetus to training companies with Northern Recruitment the recruitment consultancy, up 11 to 197%p.

Nord Anglia, the teaching

company, gained 21 to 306%p while Lorien, the information technology recruitment group, gained 10 to 587%p. SIG, the builders' merchants, beat the decline in the construction sector and was firmer at 209p following an upgrade by the building team at Merrill Lynch. They shifted their stance

from "neutral" to "accumulate" following the 20 per cent decline in the stock in the nast month. Jarvis was the best per-

former in the FTSE 250 as the stock gained 25% to 408p after the track maintenance group announced two new deals. The company announced that it had won a contract from Royal & Sun-Alliance worth £26m over

Although most of the early trading, the midday announcement of an agreesaid to be more important.

Standard Chartered rose

ment with Railtrack was

not see any big drop in its loans quality despite the slowing economy. Also, some analysts reliterated their "buy" rating on HSBC on a 12-month view and the shares bounced 34 to £14.54. Supermarket chain Somer

20 to 580p after the bank's

field rose 4 to 241%p after it posted interim figures in line with market expectations. Stationery retailer Part-

ners Holdings fell 7% to 52%p after the group announced a 3.7 per cent drop in like-for-like sales. Kenwood Appliances slipped 6% to 127%p following the resignation of finance director Kieran Moloney, to be succeeded by

FUTURES AND OPTIONS Malaysian unit said it did

FTSE 100 MOJEX FUTURES (LIFTE) 225 per Lul index point Open Sett price Change High Low Est, vol. Open Int. 5300.0 5358.0 5320.0 8272.0 5297.0 # FTSE 250 BNDEX FUTURES (LIFFE) £10 per full index point

5 Of Exploration

IN FTSE 100 INDEX OPTION (LIFFE) (5271) \$70 per full index point

B ELMO ETYLE PTSE 100 MIDEK OPTION (LIFFE) £10 per livi higher point \$126 \$175 \$225 \$275 \$325 \$375 \$485 \$0.00 \$27 \$31 \$31 \$31 \$32 \$127\dagger 132 \$101 \$175\dagger 7 \$21\dagger 3 \$4 \$22 \$20 \$96 \$167\dagger 131 \$157 \$152 \$127\dagger 132 \$101 \$175\dagger 7 \$21\dagger 3 \$4 \$25 \$162\dagger 225\dagger 122\dagger 225\dagger 215 \$162\dagger 236 \$137\dagger 236 \$132\dagger 236\dagger 23

LONDON RECENT ISSUES: EQUITIES

100	A SHOOT OF	March 1				-					
price	peid	CBD	1997	/23		price		Net [λν, Q	ks PE	L
p	щ	(Em.)	High	LOW	Stock	р	4/-	SEV. C	юv. у	rici nent	
_	FP.	-	95	93 ¹ 2	Abbey Nat Dublin 8	8312		-	-	-	
\$140	F.P.	34.0	20t l2	14812	19CO Tecns	19012		-	-		=
165	F.P.	9.81			Bond lest Sither	72	gip.	₩-	-	50	0,
925	FP.	1.42	2512	2912	General Incis	3512	_	-	-	-	-
125	F.P.	5.20			Longmead	1441		1501	29	4.3 9.	و
	F.P.				Merchpole			R8.65	2.1	4.1.14	à
	FP.				†Rezorback Visals	10212	•			=	Ξ
- "	F.P.				Second Scot Nati	1007	419	-	_	- 12	R
- 1					Do Zaro Div Pri	10115	. 7		_	_ 100	_
					Wyncham Mr			red K	7.8	54 2	a
4							-				
		STORES IN	PR NEED	TE 3	Placing price. " int	1.00	700		7		æ

MICHTS OFFERS

	Jan	% obg	Jag	Year	Gross dir	PAE	2 100
SE GOL	0 1	MINE	SI	NDE	X		
					•		

1227.67 +2.7 1195.29 2041.48 2.50 1005.62 -0.5 1010.67 1647.44 1.26 18.12 2124.22 833.83 37.40 1780.55 864.86

All Futures, Options & Margined Forex GN] Contact; James Allan Tel: 0171 337 3999 Pis: 0171 337 3997 24 HRS

ED&F MAN DIRECT

a 0500 565**7**17 REAL-TIME ELECTRONIC FOREX DEALING

www.forex-cmc.co.uk

+44 (0)171 405 1004 and Nick CITY Capital Gains Tax

For current prices, Talabast Channel 4 page 699 or brockers and application form cell: 0171-550 8500 Petroleum Argus European Natural Gas Repor Petroleum Argus

The FT GUIDE TO WORLD CURRENCIES, public other from the latypad or handset of your fix matchine, 9891 437 901. The charged at 39 plants charp rate and 49 plants at all other fasters. For service de the UK pieus relephon: +44 171 \$73 4378 for details no Cityline in

Call 0181-730 1660 for free details of both offers

Futures

WANT TO KNOW A SECRET? The I.D.S.G.M.L. Seminar will show you how the markets REALLY work. The amazing trading techniques of the legendary W.D. Gann can increase you

BOOK YOUR FREE PLACE PROPE 0161 474 9050

From Data Broadcasting Corporation REAL-TIME DATA ON **YOUR** PC aquitins + fetures + options + derivatives + bands + commodified ALL AMERICANS + FOREX + RUROPEANS + NEWS + CHARIS to Moscow, from Finland to Yemen International

www.dbceuro.com Tel +44 171 793 3100

http://www.unioncal.com F.X. FUTURES & OPTIONS 24 HOURS 0171 522 3333

SE DOVER STREET, LONDON WIX 3RS |

TEL: 017) 629 1135 FAX: 0171 495 9072 http://www.bil.co.ek

FUTURES OPTIONS & FOREX BERKELEY FUTURES LIMITED

fast fills. Low Rates. Quality Service.

LIND-WALDOCK & COMPANY

WATCOME

0800-262-472 London (171-367-1791) Generaly: 8139-613100 Sentenback (16 (0) 55 51 25 nove find-walderk com

01718960011 INDEX FINANCIAL OFFSHORE COMPANIES Tale -64 1011 201 1016 Parts -64 1021 101022
Tale -64 1011 201 1005 Parts -64 1011 201 1012
Tale -60 2020 172 Parts -60 2021 1010
Tale -6 76 204 204 Parts -6 74 864 807

If you would like to advertise. or require any further information. piease contact: Jeremy Nelson Tel: 0171-873-3447 Fax: 0171-873-3062

orded at the close of business on 31st December

FTSE 280 ex IT FISE 200 on IT
FISE 300 on IT
FISE 300 on IT
FISE 300 thigher Yield
FISE 300 Lower Vield
FISE STREET,
FISE AN-Street
FISE AN-S 10 RESOURCES(22) 12 Extractive Industrial(5) 15 Cil. (responsible) 16 Cil. Espicialism & Picci(13) 20 GEN MOUSTHALESZI)
21 Construction(35)
22 Stating Media & Manda(27)
23 Chemical(26)
24 Diversified Industrial(11)
25 Bectruit: 8 Bect Spain(27)
45 Entirety(187) 28 Engineering(83) 27 Engineering, Wellchel (11) 28 Paper, Polig & Printing(34) -TAX FREE 40 SERVICES(279)
41 Distributors(29)
42 Leisure & Hobels(27)
43 Medic(42)
44 Passiers, Food) M
45 Patrillers, General(48)
45 Testeronsus/cestore(16)
47 Sementus, Patrill & Patrillers
50 Control Services(16)
50 Control Serv 48 Transport(25) 65 Water(12) 68 HON-FINANCIALS(F41) 70 FBIANCIALS(188 71 Buris, Patal)12) 73 Insurance(17) 74 Life Assurance(1) 79 Property(40) ALL SAVESTMENT TRUSTS(15)

SUN LIFE GLOBAL PORTFOLIO (SICAV) DIVIDEND ANNOUNCEMENT

on Haven Portfolio at the rate of 1.22 peace per share which will be paid on 11th February 1998 to the respective Shutcholders of their 14th Japany 1998

FTSE Adduction Engre Indices 19.06 1.45
19.34 3.44
19.34 3.45
19.34 0.30
19.43 0.36
16.33 0.30
18.43 0.36
16.33 0.30
18.43 1.33
25.63 1.51
22.34 1.25
19.95 0.00
19.61 0.42 \$273.6 4832.8 4670.1 \$527.9 \$530.6 \$540.3 2382.56 5263.1 4812.6 4851.0 2521.9 2526.4 2528.9 2529.8 2356.01 2362.54 2451.58 4195.5 4670.1 4620.4 2081.5 2279.42 2042.79 2054.94 2.54 2.97 2.07 2.02 3.37 1.82 2.45 2.61 2.59 2.62 2.07 1.84 1.89 2.02 1.89 2.26 1.80 1.85 1.85 2.07 3.08 3.47 3.58 3.15 3.17 4.05 2.24 3.05 3.23 3.14 2231.54 1146.55 1804.65 1825.56 2005.9 2164.0 2282.42 2293.95 ___ 2362.56 -0.1 2366.17 ___ 2467.54 ___ 2474.17 2354.35 2458.11 2474.75 2054.95 2210.78 1140.32 Jan 20 ongelis Jan Jan 19 Jan 16 ago 4379.56 4059.56 2856.58 3921.74 4852.70 4208.54 3387,79 3437.88 19.17 0.00 13.78 0.00 19.42 0.00 31.89 0.00 2.95 4.27 2.94 1.40 1.81 1.88 1.77 2.32 3.51 4.83 3.53 1.70 -0.7 1884.31 1902.94 2022.72 -0.3 1295.49 1297.97 1282.98 -0.4 1840.34 1651.21 1875.24 -1.4 2470.74 2481.49 2310.53 -0.9 1283.52 1289.24 1499.79 -1.2 2095.89 2127.12 2340.72 -0.4 2519.09 2553.20 2590.74 -0.5 3267.81 3370.05 2592.58 -1.3 2090.93 2777.88 2554.87 15.17 0.32 15.53 0.44 13.87 0.46 17.70 0.46 12.38 0.00 17.47 0.00 12.36 0.48 80.001 0.00 12.54 0.48 1084.20 1139.98 875.59 1229.61 769.61 1130.27 3.49 2.88 3.68 4.11 3.48 3.37 2.53 4.20 4.09 3.58 4.86 4.86 4.80 4.29 3.83 3.01 5.11 2.01 2.25 1.93 1.85 2.24 1.67 2.54 0.02 1.95 1598.26 1773.95 890.31 -1.3 20323 201132 -0.7 3037.00 5189.47 3754.22 -0.9 3022.99 3007.00 2618.54 -0.4 3027.06 3624.56 2672.78 -1.2 30567 3049.15 2632.70 -2.3 2204.54 2204.47 2088.01 -1.2 8022.84 8862.94 5751.71 -0.0 4891.54 4899.34 4080.79 30 CONSUMERI GOODSEQ
32 Accholic Beverage(5)
33 Food Prodesse(24)
34 Household Goods & Tests(24)
35 Heath Care(14)
37 Phermacusticular(6)
38 Tobucco(5) 2.81 3.53 9.13 4.08 2.17 1.98 5.79 34.47 0.24 15.02 0.21 20.68 0.21 16.03 0.73 31.80 0.83 37.30 0.03 13.53 0.00 2099.52 1268.48 1646.80 1286.34 1492.22 3340.72 1337.08 2.44 3.49 2.59 3.47 1.81 1.85 5375.54 3292.42 1,82 1,93 1,83 1,81 1,70 1,80 +0.1 2827.89 2529.56 2551.00 -0.3 2531.47 2527.35 2963.01 -1.5 3557.72 3558.83 3255.61 -0.4 3882.08 4017.75 4255.22 -0.4 2271.43 2291.85 2055.11 +1.0 2960.79 2966.35 2206.36 -0.4 3377.15 3597.46 3385.55 +0.1 3850.83 3780.77 2839.55 -0.0 2867.86 2877.75 2750.09 22.50 2.45 16.50 0.00 21.12 16.84 25.51 0.00 18.19 0.00 17.58 3.97 28.57 0.00 16.46 7.32 38.14 0.00 28.86 1.77 2.87 3.72 2.74 2.35 2.86 3.21 2.94 3.30 1.30 3.80 1.83 2.04 2.16 1.92 2.30 2.21 1.48 2.30 2.31 1.29 2.32 3.03 2.19 2.11 2.39 2.57 2.38 2.84 1.22 2.53 1.71 2.11 ‡ 2.21 3823.61 3814.45 2836.83 4199.44 4191.61 2880.99 2885.85 2887.87 1530.88 3.29 3.80 1.82 3.94 17.78 4.81 13.12 3.84 \$ 0.00 1802.79 2441.56 1838.45 -0.3 4879.25 4888.32 3741.84 -0.2 7340.62 7281.80 5417.79 -0.3 2278.14 255.84 1724.98 -1.4 5414.74 8408.99 4387.39 -0.3 3628.41 355.53 3719.19 2.97 2.90 3.67 2.89 2.72 17.31 17.03 11.84 19.13 20.55 2.40 2.32 3.19 2.37 2.22 2.43 2.53 2.77 2.26 2.24 1,44 0.32 0.00 0.20 0.00 0.28 2264.89 2494,32 1854.61 2784.59 2255.11 1845.88 1.45 3.14 3.17 2.59 2.52 1,**99** 2,01 19.61 0.89 0.89 3.47 3.85 0.55 2.78 3.10 281 1.43 1.47 69.34 0.00 1133.87 25.25 1.15 1409.82 -0.1 1311.76 1308.34 1305.67 21.97 1.34 1441.70 FTSE AIM +03 977.5 977.9 - 1,19 0.94 0.45 90.001 0.26 902.50 10.00 11.00 12.00 12.10 14.00 15.00 16.10 High/day Low/day FTSE 100 FTSE 250 FTSE 350 FTSE Sma 5282.6 5282.2 5288.8 5290.0 9277.9 5274.5 5298.6 5250.6 4830.1 4820.9 2536.8 2518.4 4825.5 4823.4 4822.5 4823.7 4824.4 2827.8 2530.5 2530.3 2532.2 2533.5 2361.73 2361.67 2361.32 2361.34 2361.72 4824.4 2533.5 4825.0 2628.8 2362.35 4823.1 2527.3 2382.11 2382.58 - 2481.57 2467.36 2469.85 2469.60 2471.56 2472.57 2468.36 2466.97 2475.60 2458.77

Time of FTSE 100 Day's high: 130 PM Day's lost 8:49 AM, FTSE 100 1997 High: \$330.8 (3/10/87) Low: 4958.6 (10/01/97) Time of FTSE AM-Share Day's High: 130 PM Day's low: 948 AM, FTSE 100 1997 High: \$330.8 (3/10/87) Low: 4958.6 (10/01/97) Time of FTSE AM-Share Day's High: 130 PM Day's low: 948 AM, FTSE AM-Share 1997 High: 2492.41 (33/10/87) Low: 1989.78 (02/01/97) Further information is available on http://www.ttse.com

O FTSE International Limited 1998. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under location.

1 Sector PME ratics: market time 90 and one describe the product of the Sector PME ratics: market time 90 and one describe the product of the Sector PME ratics: market time 90 and one describe the product of the Sector PME ratics: market time 90 and one describe the product of the Sector PME ratics: market time 90 and one described time.

2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000
2,000 Licestwinty†
MEPG
Merke
Merke
Merke
Merke
Merken
Me おうなの本のならなるはなるこれなるのなるなるなるとなってあるなるのから

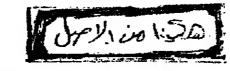
Barry Group :
Brarry Group :
Brarry Group :
Brarry Group :
Brarry Group :
Grou

Jey 100 100

MENTAL PRES WO

35.42 29.39 410.95 184.57 282.11 258.94 186.74 6.62 245.54 245.54

TO THE STATE OF TH



27.5 - 66 ... 25 30 - 55 45 2125 95 + 15 11.5 7.75 13 13.3 9.25 15.5 - 3 17.95 12 15.1 - 25 17.95 10.7 25.4 - 1 32.5 23.6 13.2 13.3 9.3 United Ringdom (212)
USA (898)

American (816) 382.1

Except (989) 392.9

Nords (147) 410.95 0.8 372.51 392.41 ***
Petitle Beach (877) 108.45 7. 33 167.31 150.33 170.22 3.0

Except Public (1470) 184.57 3.3 167.31 150.33 170.22 3.0

Except Public Beach (877) 184.57 1.3 167.31 150.33 170.24 161.37 1.4 2.07 ***
North America (786) 380.11 0.0 344.57 309.39 382.99 380.00 0.0 1.80 379.87 30...

Except Exc. (1487) 193.04 0.4 294.71 210.80 247.25 208.04 0.0 1.77 257.80 223.49 210.10

Except Exc. (1487) 193.04 0.4 294.71 210.80 247.25 208.04 0.0 1.77 257.80 223.49 210.10

Except Exc. (1487) 197.05 1.5 170.00 170.25 110.71 170. Prices supplied by Edel, part of FT intermedion. Prices septided by Bolet, part of FT Interhalition.

NOTES - Prices on this page are a quested on the individual exchanges and are mouth leaf traded prices. ** Calentier year high and law ** Breakings supported, not be obtained, no be obtained and be obtained and obtained outside of the obtained outside outsi

BE OUR GUEST.

beraton Towers

When you stay with us in ANKARA stay in touch -with your complimentary copy of the

FINANCIAL TIMES

19-1. 10-1.

2 Effects
18 Gild 4 :
19 Gild 4 :
19 Gild 5 :
19 Gild 6 :
19 Gild 6 :
19 Gild 7 :
19 Gild

AND CONTRACTOR OF SERVICE CONTRACTOR OF SERV

· D -

- E -

の場合、企業的では、100mmのでは、

Sold of the state of the state

20 July 19 Manual 19 Manual 19 Manual 19 July 19 Manual 19 M

95_a Jacquet En 221_a Acetes Eng 21_d Jacquet Or 4 A Jacquet 105₂ J. 6 Ind 9 A Jacquet 25_a Jacquet 4 A Jacquet 19 A Jacquet 19 A Jacquet 28 J. 50 Pa

1987 the Stock
1991 Let Stock
1991 Let Ar x
1991 A Br t
1914 15 Br t
1914 15 Br t
1914 15 Br t
1915 1915 Br t
1915 1916 Br t
1915 1916 Br t
1915 1916 Br t
1917 1916 Br t
1

14. W Ba Hat Law Beats Chee 74. Sept. 15. Sept High Law Stock
This Even Old
This Even
This Even TO STATE OF THE PLAN OF THE PL

- F -7 Al Insulant Art Design of the Colonial Art Des

- G -

Sele Sele Sides
Sele Sele Sides
Sele Sele Sele Seles
Sele Sele Seles
Sele Seles
Sele Seles
Seles

-1-

PARTONING BETTERNING NEWSTRANDERS BETTERNING BETTERNING

15° N. Tai AOR 15° N.

101 27 j. MCH j.
101 74 MCC Hage
101 74 MCC Hage
102 74 MCC Hage
103 74 MCC Hage
104 75 MC MCH j.
105 75 MC MCH j.
105 MCH j.
105 MC MCH j.
10

- M

ST. ST. PROBLEM ST soldåtelklodåtit. It equalit sesikkingleskirklode

-P-Q--- R -

BEST THETTERS

- Ų -| CFE| | 22 June Feine 18- June Feine 27- Gleiner Cap it 28- Green Cap i

48°- 22°- W G
11°- 64 Well in
11°- 64 Well in
11°- 64 Well in
20°- 11°- 70 Well in
65°- 22°- Well
20°- 12°- Well
20°- Norm 12°- Well
20°- Well
20°- Well
20°- Well
20°

100 Sales 100 Sa

Sandan Bandania Libera difinaipis

FT Free Annual Reports Service for on the Annual Reports Service for the current should reports air if aveighte functionly reports of any companies on the US technology with a symbol. To order reports ring (international Access) 1-804-220-8097 or give the numes of the companies whose reports you want and far your repeat to international Access 1-804-220-8155. Reports will be sent the lead, writing day, subject to evaluablely. You can also order online at http://www.chanc.com/cgi-blavit.

のないのなる 大田 ののではない

Total Control of the Control of the

Total Control Control

A CONTRACT OF STATES OF ST

THE PARTY OF THE PARTY OF

(Jey) 00 150

THE RESERVE AND ADDRESS. 母子不好的人情 小

de drinke a kindikabbe têki dekerdî bir bikirike

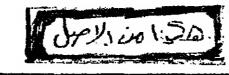
73 59% MCH Curp
38 Nationals
557 324 MMC Re
127 444 Nation
557 324 National
125 445 Nation
125 445 Nation
125 445 Nation
125 425 Nation
125 425 Nation
125 125 Nation
125 1 2 of 2 0 M M Cry
184, Out inde
2 185, Out inde
2 185, Outside
5 134, Outside
5 134, Outside
1 401, Outside
1 134, Outside
201, Outside
201, Outside
1 134, Outside
1 137, Outside
2 0, Outside
2 0, Outside
1 137, Outside
2 0, Outside
2 0, Outside
1 137, Outside
2 0, Outside
1 137, Outside
2 0, Outside
1 137, Outside
1 138, Outside
1 138 125 / 126 / 256 | 127 | 128 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 | 129 |

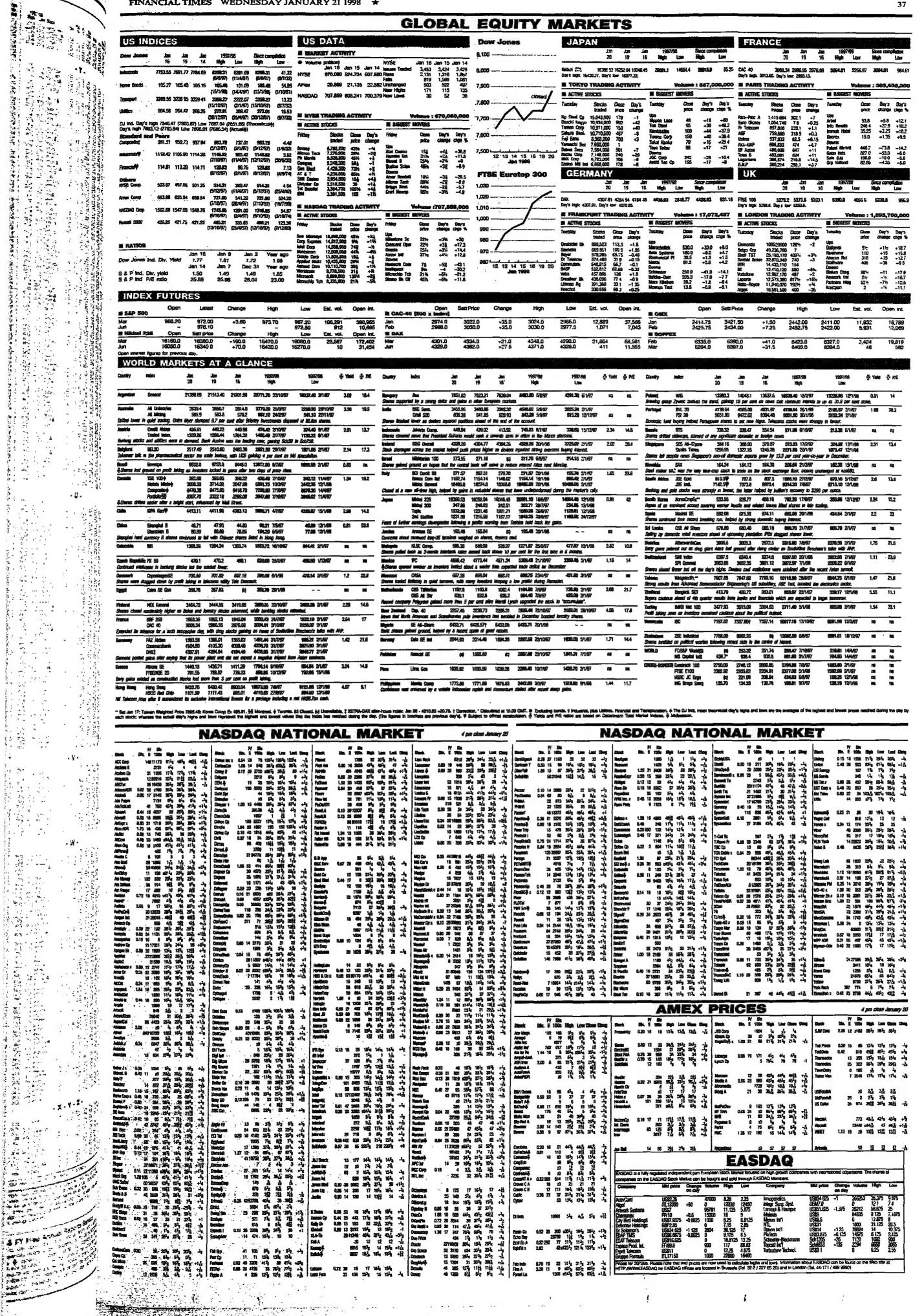
- N -

李章章 公司合合公司

EDVENDAY JANGARY

- U -





Signs of recovery as calm breaks out

WORLD OVERVIEW

A quieter day in Asia and a subdued return from holiday by Wall Street meant that investors could relax for almost the first time this year, writes Philip Coggan.

There were few wild swings in the equity markets; not even the volatile Pacific Basin region could produce a 3 per cent movement. But there were some encouraging signs of recovery, such as Tokyo's fifth straight advance.

Brian Marber, the technical analyst, believes that a number of chart signals indicate that the Japanese bear



Most significant, he says, is a sharp upturn in the number of stocks above their three-month and sevenmonth averages; this is a classic indicator of a market

Street in December 1987 following Black Monday.

The main area of concern in Asia continued to be Indonesia where the rupiah dropped below the 10,000-tothe recent reform package. received their customary fillip from a stronger dollar but were given little direction by Wall Street, which followed Monday's holiday

with a lacklustre opening. A widening in the German trade surplus to DM13.1bn in November masked a 3.5 per cent month-on-month fall in exports which might be an early warning of the effect of the Asian crisis. The Dax in in May. Frankfurt gained 0.5 per cent

on the day. Europe has been generally assumed to be protected from the full effect of the Asian downturn because of

markets emerge from the period of Europe but warns "highly-Maastricht-induced auster-

ABN-Amro Hoare Govett's

latest European strategy document is overweight the "peripheral" countries -Italy, Spain, Switzerland, Ireland and Portugal which will benefit from short rate convergence in 1998, once the cross-rates for monetary union are agreed

But the heavy industrial exposure of Germany and Sweden causes ABN-Amro to underweight those countries because of the potential effect of the Asian crisis.

domestic economies as they ABN-Amro is overweight rated world equity markets seem ill-placed to cope with any substantial erosion in earnings estimates. The US is our main concern, with Wall Street already showing signs of de-coupling from still bullish bonds.

"European markets are less expensive by comparison," adds ABN-Amro, "but still look stretched and are in no position to shrug off a more cautious mood in US equities. We thus do not expect a repetition of the strong equity returns which were a feature of 1997."

Merger news helps to lift **US** stocks

AMERICAS US stocks traded higher at midsession as key earnings reports in the health and market volatility, writes

John Labate in New York. By early afternoon the Dow Jones Industrial Average had gained 24.16 to 7,777.71 and the Standard & 968.70. Technology shares managed the best overall gains, sending the Nasdao composite index up 15.95 to

shares of American Home Products surged more than 13 per cent or \$10% to \$91% on reports that the company was in merger talks with SmithKline Beecham, Smith-Kline, whose shares trade as

ADRs in New York, rose 3 per cent or \$2 to \$59%. News of the potential merger sent drug producers strongly higher. Warner-Lambert gained more than 5

releasing quarterly earnings. The earnings reporting 6,476.10. season heated up in a big day for banking stocks. J.P. Morgan's earnings fell stock plunged \$3\frac{1}{1} to \$103\frac{1}{15}. Chase Manhattan and Citiwere generally in line with expectations, although they C\$17.70.

saw an Asian effect, Chase's

shares rose \$\frac{1}{4} to \$106\frac{1}{4}. while Citicorp gained \$% to Among other financial financial sectors added to stocks, Merrill Lynch lost \$2% at \$64 after releasing

quarterly results in line with expectations. In the technology sector analysts at Merrill Lynch cut its 1998 earnings esti-Poor's 500 was 7.19 higher at mates for Dell Computer and Compaq Computer. Compaq

was down \$4 at \$59. Semiconductor shares did especially well, however, as the semiconductor index of In the health sector, the Philadelphia Stock Exchange gained 8.58 or 3.3 per cent to 269.39. Intel rose

\$1 to \$75%. Bay Networks, the computer networking company which was expected to

announce results later in the day, rose \$1% to \$29%. TORONTO ended a volatile morning little changed. Golds were weak and banks trended lower, but the broader market managed a

Golds met with profittaking for the second day running as investors pockbelow expectations, and the eted some of last week's 14 per cent improvement for the sector. Barrick shed corp released results that C\$1.50 to C\$25.15 and Placer Dome came off 65 cents at

EUROPE Gains in industrial stocks that have underperformed the market's recent rally enabled MILAN to resume its record-setting run and

the Mibtel index closed 211 higher at 18.485. Oil group Eni gained more

than 3.5 per cent to L10,485 and Pirelli rose L169 to L4.586. Fiat added L252 to Shares in Cir, the holding

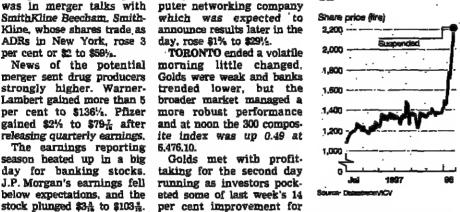
company controlled by financier Carlo de Benedetti, were suspended after reaching their maximum permissible upper limit for a second

successive day. shares suspended at L2.215, no L200 or 10 per cent on the day. Cir has been in favour since announcing a restructuring

programme designed to

streamline holdings and

increase profits. It has also



it holds a stake. MADRID hit a fourth suc-

cessive all-time high as for-

statement on 1997 sales. The shares picked up SFr49 to SFr2,303, extending their rise to 8.5 per cent.

PARIS saw a busy session for pharmaceuticals stocks which took the CAC 40 index above the 3.000-point level. Hit by technical problems,

which delayed the start of trading until late morning, overall volume was dull at 10.9m shares. The CAC closed up 21.39 at 3,008.34. Drugs provided the main feature with Rhône-Poulenc and Sanofi bouncing on the news that SmithKline Bee-

cham of the UK had been in

merger talks. Solid sales

news from Sanoti offshoot

for the dollar boosted sentiment in the sector. Rhone jumped FFr7 to FFr302.10 and Sanofi FFr38 or 6 per cent to FFr668. Elf Aquitaine added FFT11 at FFr647 and Total FFr11 to FFr624. The separately listed Synthelabo gained FFr17 to

FRANKFURT held on to benefited from the perfor- most of its gains as a stron mance of Olivetti, in which ger dollar and Wall Street provided support. The Xetra Dax index closed up 20.78 at

4,310,83, off a high of 4,322. Siemens was among the day's best performers rising DM2.70 to DM110.65 after the company said its power plant business did not expect any negative impact on Asian contracts.

Degussa, the chemicals and metals group, rose 50pfg to DM98 after announcing positive first-quarter results and a rosy 1997/98 outlook.

The banks were mixed fol-lowing Monday's announcement that three publicly owned hanks were to merge to create Germany's sixth largest bank, Dresdner Bank lost 90pfg to DM76.80 and Deutsche Bank fell 95pfg to DM113.80. Commerzbank, however, managed a 54pfg rise to DM67 ns

higher on dollar strength. continued speculation about share buybacks and a bounce for PolyGram. PolyGram jumped F15 or

5.2 per cent to Fl 101 follow-

Milan and Madrid hit peaks

FTSE Actu	European series					
Jenuary 20 National & Regional Merkats	Eco Index	Dey's	change points	Yield grass %	स्र स्त्	Total ratio (Ecu)
FTSE Europap 300	1825.04	+0.34	+3.47	2.20	0.00	1033.31
FTSE Eurotop 100	2365.92	+0.44	+10.30	-	-	-
FTSE Exercises 200 Per	wlose					
300 UK	1041.60	-0.23	-2.45	3.06	0.00	1059.49
300 Ex-UK	1016.21	+0.63	+6.87	1.76	0.00	1019.10
300 Eurobiac	994.46	+0.53	+5.25	1.92	0.00	998.69
300 Ex-Eurobiac	1049.44	+0.21	+2.22	2.39	0.00	1060.73
FTSE Enviso 300 Res	namic Brown					
Resources	914.50	+0.48	+4.33	3.00	8.00	927.74
General Industries	927.01	+0.17	+1.58	211	0.30	929.32
Consumer Goods	1053.99	+1.10	+11.44	1.74	0.00	1065.37
Services	1007.49	+0.01	+0.09	2.25	0.00	1016.17
utika	1114.61	+0.52	+5.80	2.61	0.00	1129.44
Financiale	1098.09	-D.04	-0.43	2.12	0.00	1704.45

tral" to "accumulate" by Merrill Lynch. That coincided with a Dutch press report suggesting strong box-office takings for the group's film distribution Packaging leader KNP BT continued to gain ground as

speculation mounted about an imminent management initiative. A recent note by Credit Lyonnais Laing highlighted the group's potential for radical restructuring and set a target price of F155. The shares added Fl1 at Synthelabo and a good day F150.50. ZURICH put in a positive

performance and the SMI index finished 57.1 higher at Nestlé, a strong performer

in recent sessions, continued higher ahead of today's since the start of last week

Analysts expect the company to report sales growth last year of about 16 per cent

A SFr17 rise in Alusuisse to SFr1,560 was attributed to rumours that Martin Ehner's

BZ Bank was buying the stock. Both companies routinely declined to comment. Against the trend, SMH lost SFr20 to SFr715 as speculation mounted that the

Smart car project with Daimler could be scrapped. Daimler denied the story on Mon-Ciba fell SFr3.50 to SFr169 as its statement that 1997 sales rose by 19 per cent - in

line with expectations - was

overshadowed by its poten-

tial bid for Britain's Allied VIRNNA jumped 2.5 per cent, driven by strong demand for banking stocks and utilities. The ATX index finished 31.82 higher at 1.320.26.

Verbund led the advance with a rise of Sch155 to Sch1.550 on news of further co-operation in the energy

Morgan, Jeffrey Brown, Jona-than Ford and Peter Hell.

Written and edited by Michael

EMERGING MARKET FOCUS

Russian winter

When Asia's financial hurricane buffeted Russia along with all other emerging markets - there was a tendency among local investors to believe the impact was overblown.

As fund managers reviewed the world at the end of 1997, the argument ran, they would decide that Russia looked a comparatively good bet. Russia was enjoying a rare period of political stability, its assets were undervalued and its economy was poised for

Unfortunately, such wishful thinking has collided with a harsher fact: since the beginning of the year, the Russian stock market has fallen by about 20 per cent. To be sure, the fallout

from Asia is still affecting all emerging markets while the Russian market has been further knocked by the drop in world commodity prices. Oil companies account for about half the Russian market's capitalis-But Russia's specific

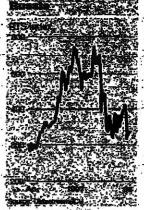
problems are also looming much larger than before. If there is one lesson to be learned from Asia, it is that microeconomic issues matter. The Russian government's problems with its public finances, its difficulties in enacting a fair tax code, and a weak domestic banking sector will all restrain economic growth "A lot of investors are

long and wrong on Russia and they can see further declines coming," says John Paul Smith, head of Russian equity research at Morgan Stanley and a is still the same," says Par long-standing bear on the The microeconomic situ-

awful it will topple all the favourable macroeconomic Mr Smith believes the

market could drop a further 30 per cent as inves-

proportion and finish gives



Turkish

wirt ban

has to go to create a fond But the bulls of the Rus sian market - and there are many - argue the best maxim for any reforming Russian government.

With access to interna tional capital markets cut off for the time being, with little scope to raise domestic borrowing without pushing interest rates sky high, and with a net funding requirement of \$1.5bn a month this year, the Russian government has no alternative but to overhaul its public finances and privatise more assets.

On this view, even the recent demotion of Anatoly Chubais and Boris Nem tsov, the two reforming first deputy prime ministers, is good news in that it allows them to concentrate their fire on specific tardevote himself to raising additional government rev enue while Mr Nemtsov presses shead with utilities and housing reforms. "I think the Russia story

Mellstrom, head of research at Brunswick Warburg. "If you look at the his-

ation in the country is so tory of Russian reform you have always had one step back and two steps forward. You have to have a crisis to move to the next stage of reform."

John Thornhill

that for Emulgick

T-439 3 - - -

shiefs held

Hat at Arctic mine

And the second

Addition to be being

THE DESCRIPTION OF SHIPE

the country of the fact

doubles appeals 13

State Land 22 new

Party and

Fe (02), 50,000 cm/

The EMB GOLD

Cent to Sone than

موسوسومان بغر والمرابل

arthur Tag

US jails

pilonin =1, 28:4

Manager Balling To The Co.

- A 27.5 5.75 5.75 5.75

eign investors joined in the São Paulo turns lower domestic buying spree. The general index ended 6.52 higher at 682.08. The index SAO PAULO turned lower at benchmark Telebrás prehas risen 8 per cent this midsession on profit-taking ferred was 2.1 per cent lower after two consecutive ses-Utilities took centre stage, at R\$119. sions of steep rises, and the MEXICO CITY was weak with Gas Natural rising Bovespa index traded down at midsession, in spite of the Pta190 to Pta7,590. Union 185 or 1.9 per cent at 9,568. early gains on Wall Street, Fenosa was Pta55 better at Shares opened higher, as investors assessed the Ptal,570 and Iberdrola was helped by modest gains in Pta65 higher at Pta2,235, an impact of a larger-than-Asia's battered stock marexpected trade deficit for all-time record. Continuing interest surkets, but moved into nega-December, its largest for rounding Argentaria's forthtive territory as investors three years. coming privatisation offering decided to take accumulated The IPC index slipped profits. Among blue chips, 68.74 points lower to 4.704.70. helped the bank's shares gain Pta410 to Pta9,980. LISBON also ended at an S Africa boosted by banks all-time high, for the fifth

near 2 per cent surge in the hanking and financial sector, and supported by builion's climb back to \$290. or 1.3 per cent to 6,012.4. Among the banks, Absa 2.9 per cent to 810.3.

Johannesburg moved leapt 4.7 per cent to R30 strongly ahead, helped by a while niche bank Investec added nearly 4 per cent to R186. Foreign demand took Richemont up 5.2 per cent to R54.60, helping the indus-The overall index rose 74.1 trial index to put on 69.6 to 7,143.4. Golds rose 22.5 or

session in a row. The PSI20 index closed at 9,651.90, up 179.28 on the day. Telecel was the main fea-AMSTERDAM pushed ture as the telecoms company's shares gained Es1.500 to an all-time high of 24,500, driven by optimism about its forthcoming results and what analysts called a severe stock shortage. **Profits warning slows Tokyo**



bility; it comes to you carrying the name of Abraham-Louis Breguet, the greatest watchmaker ever known. You will recognise it by the legendary "Breguet" hands, the shimmering guilloché dial, and the finely fluted case band that give your Breguet its strong character. Most important, it will house a hand-finished movement, as inimi-

sen an exceptional watch.

Depuis 1775

To obtain the Breguet catalogue please send your name and address to fax number 41.21/841-90.84, indicating code no 77/MONTRES BREGUET SA - 1344 UAbbaye - Switzerland • Phone 41.21/841-90.90

eigners were said to have per cent, unsettled by the ASIA PACIFIC Hong Kong remained net buyers, but it

Shares in TOKYO rose for

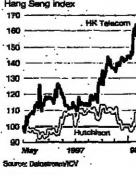
the fifth day running, but the momentum slowed, writes Bethan Button in Tokyo. The Nikkei 225 average added 104.49 at 16,366.53. Sentiment was positive in the morning as the index rose to 16,430.27 from a low of 16,077,22, but some of the gains were taken back in afternoon trading. The broader-based Topix index ended 1.43 higher at 1,232.89, but the capital-weighted Nik-

Volume fell back to an estimated 570m shares from 680m on Monday. Gainers outnumbered losers by 758 to 403. The market was depressed

kei 300 slipped 0.17 to 247.88.

by a profits warning from Toshiba, the electronics and computer manufacturer. Toshiba ended Y4 higher at stocks fell back. NEC dropped Y30 to Y1,490, Hitachi Y10 to Y1,010, and Matsushita Electric Industrial Y10 to Y1,950.

Softbank, the computerrelated publishing company which moved to the first section of the exchange on Fri- back 6.93 to 413.79 having high of 9.659.27. day, continued to advance touched 424.15 earlier, For-



quarter results. In Osaka, the OSE index was up 39.52 at 15,952.10 in volume of 32.9m shares.

Hang Seng index



after announcing an extra Y20 commemorative dividend to mark the shift. Softbank was up Y430 at Y4,800. Nomura, the securities house, fell Y40 to Y1,680 after the arrest of two executives on bribery charges at the weekend, and Monday's Y555, but other electronics announcement of weak final

> BANGKOK paused for breath after climbing more than 15 per cent in two ses-

sions. The SET index fell and jumping to an intra-day

was a steadier day all round with investors awaiting feedback from the meeting between the finance ministry and the IMF on terms of Thailand's \$17.2bn support counter.

Bt7.2bn on Monday.

HONG KONG turned its actives list and lost 6 cents attention to the telecommu- to 44.5 cents. nications sector as Hongkong Telecom announced it had surrendered its exclusive international licence. Telecom gained 40 cents to

package. Share turnover

ased to Bt5.2bn from

HK\$15.55 after it said it had reached a deal with the Hong Kong government for an early end to its international licence in return for compensation including HK\$6.7bn cash, net of tax. Among potential beneficiaries, Hutchison Communica-

tions climbed HK\$1.90 to HK\$46 and New World Development added 40 cents to HK\$21.20. Against the trend, Wharf slipped 25 cents to HK\$11.50. The Hang Seng index finished 33.28 higher at 9,433.70 after hitting a low of 9,212.13

SINGAPORE gave up 2.3

uncertain outlook for regional currencies, and with much of the day's activity confined to small capitalisation stocks and Malaysian shares traded over the The Straits Times Industrials index lost 30.27 at 1.296.91. MBF Capital led the

JAKARTA ended more than 2 per cent higher after President Suharto confirmed he intended to stand for a seventh term in office. The news eased concern about political uncertainty which had dogged the market.

Banking stocks soared on

continuing merger talk. Bank Danamon gained Rp50 to Rp450 on rumours of a deal with an unlisted bank. BII, which signed an outline agreement last week to merge with four other banks, gained Rp25 to Rp525. Bank Panin rose Rp100 to Rp600 and Bank Ball was Rp50 better at Rp600. Overall, the composite index rose 9.01 to 448.04.

WELLINGTON pushed higher on paper stock optimism. The 40 capital index

(Jr) 100 150